The Analysts Journal

LUME 8 : NUMBER 3 ☆ MAY 1952

In This Issue . . .

Editorial

The Idea That Won . . . *H. S.* 5
Our Authors . . . 6

Articles

Viewpoint of a Fire Insurance Company Investment Buyer . . . *Samuel B. Jones* 9
Money Trends . . . *Woodlief Thomas* 15
Unsophisticated Investments against Inflation . . . *B. Barret Griffith* 25
Financing of Signal Equipment and Cost to Railroads . . . *Lancaster M. Greene* 29
The Business Executive and His Financial Peephole . . . *John E. Kusik* 31
Plant Expansion in Relation to Consumption Capacity . . . *Donald B. Macurda* 39
Role of Savings in the American Economy . . . *Walter Maynard* 45
Export Crazy and Import Blind . . . *Vergil D. Reed* 49
Synthetic Fibers . . . *Joseph R. Bentert* 55
Investment Opportunities in Hosiery . . . *Paul Murphy* 59
Our Increasing Longevity and What It Means . . . *Mortimer Spiegelman* 63
Capital Goods—a Puzzling Paradox . . . *Robert W. Storer* 69
Heavy-Duty Tools for the Market Analyst . . . *William R. Leonard and Louis A. Shapiro* 73
The Floor Coverings Industry . . . *William F. C. Ewing* 79
Livestock and Meat Supply . . . *George M. Lewis* 85
Capacity or Capability . . . *Hendrik A. Diamant* 93
Money, Investment, and Business Expectations . . . *Albert I. A. Bookbinder* 97
Market Letters . . . *Rolf E. Wubbels* 103
Some Economics of Forestry . . . *Everett Dominick* 108

Federation and Affiliated Societies

Fifth Annual Convention Program . . . 116
Fourth Midwest Forum . . . 121
Security Analysts of San Francisco . . . *Herbert B. Drake* 121

Departments

Book Reviews . . . *Helen Slade* 114
Recent Financial Articles . . . 118
Admissions to NYSSA Membership . . . 122
Luncheon Forum Talks . . . 125

Published by

The NEW YORK SOCIETY OF SECURITY ANALYSTS, *Inc.*

GULF OIL CORPORATION REPORTS ON ITS ACTIVITIES FOR 1951

CONSOLIDATED BALANCE SHEET, December 31

ASSETS

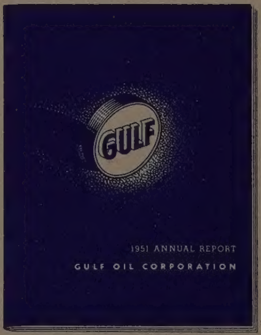
	1951	1950
Cash and marketable securities	$ 285,039,756	$ 202,356,405
Receivables (net)	162,768,111	116,544,175
Inventories	153,486,785	142,386,348
Total current assets	$ 601,294,652	$ 461,286,928
Special deposits	17,428,524	18,137,899
Investments and long-term receivables (net)	100,068,151	148,673,094
Properties, plant and equipment (net)	780,686,100	704,723,265
Other assets	12,141,481	11,536,398
TOTAL ASSETS	$1,511,618,908	$1,344,357,584

LIABILITIES

	1951	1950
Current liabilities	$ 275,569,862	$ 205,659,417
Long-term debt	185,023,669	185,301,460
Reserves	42,073,149	29,408,826
Long-term unadjusted credit	16,873,867	25,658,848
Capital shares (22,690,500 in 1951; 11,345,250 in 1950)	567,262,500	283,631,250
Capital surplus	—0—	73,190,861
Earned surplus	424,815,861	541,506,922
TOTAL LIABILITIES	$1,511,618,908	$1,344,357,584

CONSOLIDATED INCOME STATEMENT

	1951	1950
Net sales and other revenues	$1,448,011,883	$1,157,150,921
Expenses:		
Costs of sales, operating and general expenses	$1,046,627,460	$ 847,593,863
Provision for plant exhaustion (including dry holes and incomplete wildcat wells)	137,018,065	109,655,657
Interest	5,039,739	5,238,575
Employees pension, savings and incentive plans	20,174,151	20,065,130
Total expenses	$1,208,859,415	$ 982,553,225
Income before income taxes and special credit	$ 239,152,468	$ 174,597,696
Provision for income taxes	103,958,058	64,796,761
INCOME BEFORE SPECIAL CREDIT	$ 135,194,410	$ 109,800,935
Special credit (net of tax)	4,876,522	1,338,670
NET INCOME	$ 140,070,932	$ 111,139,605



1951 ANNUAL REPORT

GULF OIL CORPORATION

A limited number of copies of Gulf's 1951 Annual Report are available upon request to P. O. Box 1166, Pittsburgh 30, Pa.

OPERATING HIGHLIGHTS

	1951	1950
Net crude oil produced—Total barrels	231,168,000	177,691,000
Daily average barrels	633,337	486,824
Crude oil processed at refineries—Total barrels	182,847,000	171,999,000
Daily average barrels	500,951	471,230
Refined products sold—Total barrels	191,026,000	172,615,000
Daily average barrels	523,359	472,917

GULF

ADVERTISEMENT

Regarding Diversification...

Fundamentally, Celanese Corporation of America is engaged in the production of raw materials in various stages and the development of their natural markets. As we continue to expand through affiliated companies outside the borders of the United States, particularly in Canada, we wish to emphasize that these new enterprises all have a definite place in our long-range planning.

Our objectives are:

To diversify our products into directly allied fields and to reduce dependence on any one market or group of markets.

To produce and convert raw materials into manufacturer's goods.

To protect physical supplies of our own necessary raw materials.

To assure that our costs of those raw materials shall always be basic.

To make most complete and efficient use of as large a proportion of those raw materials as possible.

We are heavily engaged in the petrochemical industry because we consume large quantities of chemicals ourselves and have built a large volume of outside sales to others.

We are in the plastics materials business because thereby large amounts of our primary raw materials find a profitable and growing market.

We produce high alpha wood pulp and purified cotton linters because a very large quantity of highly purified cellulose at basic cost is essential to our business.

We are in the business of forest management. It is our intention to use the forest areas licensed to affiliated Canadian companies at present and those that may be licensed in the future for efficient and complete utilization of those forests, whether the products be pulp, newsprint, kraft, sawn lumber, or others.

We are in the business of producing oil and gas for the purpose of supplementing existing supplies of liquefied petroleum gases, as our own requirements increase over the long-term, and to assure that our costs will remain basic.

Operation of affiliated chemical fiber and other plants in other countries is facilitated by our provision of primary raw materials and we become able to share in diversified markets.

As we continue to improve our present fibers and develop new fibers and other products, we expect to obtain better diversification in our domestic markets.

This statement outlines some of the important policies and business philosophy under which we conduct the operations of Celanese Corporation of America.

Harold Blancke
President

CELANESE CORPORATION OF AMERICA, 180 MADISON AVENUE, NEW YORK 16

CHEMICALS...CHEMICAL FIBERS AND YARNS...TEXTILES...PLASTICS...CELLULOSE

WOULD YOU LIKE A COPY?

Approximately 70,000 Sunray shareholders received this report of the progress made by their Company in 1951. You may have a copy as long as the supply lasts, by addressing W. D. Forster, Secretary, Sunray Oil Corp., P. O. Box 2039-E, Tulsa 2, Oklahoma.

SUNRAY's greatest strides forward were made in 1951! This is reflected by the facts and information presented in the Company's 31st annual Financial Report, just released to shareholders.

With a 1951 gross income of $125-million, earnings of SUNRAY amounted to $24,282,000, up approximately 20% over earnings of 1950 — and were equivalent to $2.23 per share. 52.5%, or more than $11-million of the Company's net income was passed on to owners of common stock in the form of dividends; the balance was applied to the surplus account for business reinvestment. Sunray reduced its senior capital obligation by $25-million in 1951.

Within the covers of this report, you will find a dramatic word and picture summary of how one of the nation's oil companies fills its place in the fast moving and essential business of *finding and producing* crude oil and gas and in *manufacturing and refining* oil products.

As a result of the year's program, SUNRAY's management is of the opinion that the Company's oil and gas reserves added during 1951 were in excess of production for the year, with the net result being an increase of such reserves to a new high in the Company's history.

Future plans call for an exploration and drilling program more active than ever before — in keeping with national requirements. A new refinery is being built at Corpus Christi, Texas.

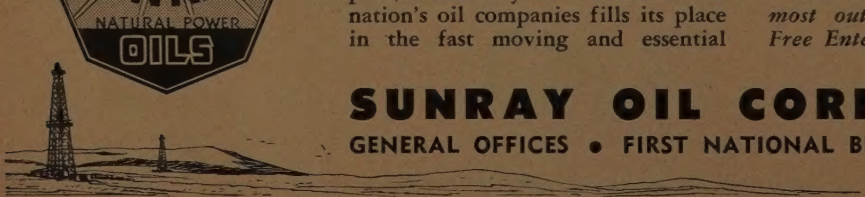
Sunray Oil Corporation has been built entirely through individual initiative, private capital and the aggressive and progressive spirit of men who look for opportunity.

The Oil Business is America's most outstanding example of our Free Enterprise System in action.

SUNRAY
NATURAL POWER
OILS

SUNRAY OIL CORPORATION

GENERAL OFFICES • FIRST NATIONAL BLDG. • TULSA, OKLA.



1951 Canadian aluminum output at 446,000 tons—*7-year high!*

Year-end report shows an increase of 50,000 tons over 1950; $120 million invested in new plant facilities last year.

Noting an urgent demand for aluminum and the expansion of production facilities as the major forces affecting the company in 1951, Aluminium Limited reported production and sales of aluminum products at the highest levels since 1944.

This was made known in the company's annual report to its 11,500 stockholders.

In Canada, the U. S. and the United Kingdom, where 88% of the Canadian production was marketed, government directives channeled a large percentage of the available aluminum into essential defense uses.

Ingot production at maximum

Production of primary aluminum by all the company's subsidiaries and affiliated companies was at maximum attainable levels in 1951, the company reported. Shipments of aluminum in all forms by fully owned subsidiaries of Aluminium Limited totalled 477,000 tons.

Production was increased from 396,000 tons to 446,000 tons by smelters in Quebec Province operated by its principal producer, Aluminum Company of Canada, and by the reopening of Alcan's 35,000-ton smelter at Beauharnois, P. Q.

$360 million expansion under way

The current Quebec power and ingot expansion, when completed, is expected to increase production to approximately 550,000 tons of aluminum ingot per year. Another potential 550,000-ton, longer range project has been started in British Columbia, the report said. Under construction is the first of a series of smelting and hydroelectric facilities which can ultimately provide 1,600,000 of firm horsepower.

First production of aluminum from the British Columbia plant is planned for early 1954. Expenditures in Quebec and on the first phase of the British Columbia expansion are estimated at $305 million. Other new mining and processing installations are being constructed in Jamaica, French West Africa, British Guiana and elsewhere.

The 1951 expenditure on the over-all program was $120 million. The over-all plant-expansion program, 1951-1954 inclusive, is estimated at $360 million.

CANADIAN ALUMINUM:
"Packaged Power"

The amount of electricity needed to produce one ton of aluminum would supply all the electrical requirements of the average American home for 10 years.

Canada, however, is most favorably endowed with hydroelectric resources, a cheap source of power. It has a potential of 55 million horsepower, only a quarter of which is now developed. **And the most compact form in which these power resources can be exported is in aluminum—truly "packaged power."**

Such exports help Canada pay for a large volume of purchases from the U. S. and other nations—and in addition, permit these nations to use their own more limited electricity resources for other needs.

Thus by importing Canadian aluminum, other manufacturing industries requiring electricity can provide a livelihood to thousands more than production of aluminum ingot can hope to employ.

ALUMINIUM LIMITED

Highlights from the 1951 Annual Report
(In Canadian Dollars)

	1951	1950
Total Sales	$284,000,000	$227,000,000
Depreciation	28,000,000*	14,000,000
Taxes	36,000,000	26,000,000
Earnings	29,000,000*	33,000,000
Dividends	14,000,000	13,000,000
Common shares plus surplus	200,000,000	160,000,000

Operating Results per Share
(based on shares now outstanding)

	1951	1950
Net Income	$ 7.03	$ 7.97
Depreciation	6.74	3.49
Income Taxes	8.82	6.40
	$22.59	$17.86

*Normal and accelerated depreciation amounting to $12,717,283 on facilities under construction in Canada, as allowed under the Canadian Income Tax Act, had the effect of reducing net profit after taxes by $6,918,202. Other depreciation in 1951 amounted to $14,863,341.

Copies of the annual report may be obtained from:

ALUMINIUM LIMITED
Montreal, Canada

ALUMINUM FROM ALCAN CANADA

In the years to come—

Look to CANADA for more aluminum

"Utah will yet become the treasure house of the nation."
Abraham Lincoln

You are cordially invited to visit UTAH on your western trip.

UTAH POWER & LIGHT COMPANY

A Growing Company In A Growing West
. . . meeting all the electrical needs of the
rapidly expanding Intermountain Empire.

The Analysts Journal

MAY
1952

The Idea that Won

Pierre R. Bretey
Editor

Helen Slade
Managing Editor

Shelby Cullom Davis
W. Sturgis Macomber
Donald B. Macurda
Associate Editors

N. Leonard Jarvis
John W. Spurdle
Jeremy C. Jenks
Advisory Committee

John Stevenson
Business Manager

Albert P. Squier
Circulation Manager

W. Truslow Hyde, Jr.
Advertising Director

VOLUME 8
NUMBER 3

ONCE UPON A TIME—not too long ago—a few analysts met an idea. "There are certain forms or ideas of which all other things partake." This one dug deep and colored their thinking. It convinced the dreamers that they and others who evaluate were worthy of recognition. The time loomed for Security Analysts to found an organization and take steps toward becoming an acknowledged profession. The New York Society of Security Analysts elected its first President in 1937. Then intrepid leaders such as Richard Campbell and Bill Loss laid a cornerstone. Members were few, but they gave amply of time and effort.

As the organization grew, it joined with like Societies in other cities. Together they became "a whole of many parts." Thus the National Federation of Financial Analysts Societies came into being. It was a great day for the Analysts. They rejoiced. But never did a single one envisage the future tremendous success of their group, nor the greatest sightseeing tour on earth to be conducted by their members in May of 1952.

This mighty westward move is primarily due to the idea of Richard Lambourne and the vigorous creative ability of Pierre Bretey. They have worked, and worked, and worked; and the good fairy who brought the first idea came and helped them. He sent Kennard Woodworth and his magnificent Boston group, with John Curley as an ever-willing aide. The Presidents of all the Societies did more than their share; they should have ample credit. On Pierre's committee to make arrangements with corporations and steer the trip were Ken Woodworth, Donald Macurda, Truslow Hyde, and the fine representative of the Burlington Railroad, Robert Caird. They consulted with presidents of railroads and managers of large organizations of all kinds and induced them to open their plants to the visitors from the East.

The Bretey Special with its two hundred and fifty seekers of information will find facts and figures. For those who cannot be among the party there are to be special articles, all illustrated and complete, to bring them the 1952 Convention in full detail.

On May 4 the California Convention opens at the Fairmont Hotel in San Francisco. This will be but a part of the whole, for the second half is to take place at the Hotel Ambassador in the lovely city of Los Angeles. There Walter Podolak, Richard Link, Alfred Post, Hartley Smith, Jack Laznick, Olaf Lighthill, and others have planned a program as amazing as is their town. Dinners, talks, excursions will enchant the analysts. Before the journey to Los Angeles, there will be an exciting four-day meeting at San Francisco. Richard Lambourne, like a great general, has planned and achieved a magnificent program. Dick has had able assistance from the hardest workers ever seen: Philip Fitzgerald, John Beckett, John Eidell, William Held, Paul Kelly, and Carl Schick, and most San Francisco members who have gone "all out." The program will be astonishing; the field trips both beautiful and instructive. They will be many and varied.

San Francisco has been noted for her lavishness ever since the first "finest celebration" for General Taylor after the Mexican War. This has been a city of enterprises, and surprises. When General Montgomery "hoisted" the American flag in July 1846 in the public square, little did he think that a Montgomery Street and its vicinity was to become one of the world's financial centers. That too, like the idea of the first Analysts, has come to pass. Now another "finest celebration" will present an epoch in the hospitality history of the "city that knows how."

H. S.

THE ANALYSTS JOURNAL is published five times a year, in January, March, May, August, and November, by The New York Society of Security Analysts, Inc., a nonprofit membership corporation devoted to the interests of those engaged in investment management and, more specifically, in the profession of security analysis. Publication office: New York Society of Security Analysts Headquarters, Room 908, 20 Broad Street, New York 5, N. Y. Re-entered as second class matter January 30, 1952, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

COPYRIGHT 1952 by The New York Society of Security Analysts, Inc. Printed in the United States of America. Articles may be reprinted only by permission of the Editors.

EDITORIAL COMMUNICATIONS AND ARTICLES FOR PUBLICATION should be addressed to Helen Slade, managing editor, 400 East 57 Street, New York 22, N. Y. Neither the Society nor the editorial staff is responsible for the facts or opinions contained in articles appearing in THE ANALYSTS JOURNAL.

ANNUAL SUBSCRIPTION price for four issues is $4; foreign subscription $4.50; single copies are $1.25. Checks should be drawn to the order of THE ANALYSTS JOURNAL and forwarded to the subscription department, 20 Broad Street, New York 5, N. Y.

ADVERTISING DIRECTOR: W. Truslow Hyde, Jr., Josephthal & Company, 120 Broadway, New York 5, N. Y.

The New York Society of Security Analysts, Inc.

OFFICERS

Jeremy C. Jenks	*President*
Marvin Chandler	*Vice-President*
Joseph S. Stout	*Treasurer*
John F. Childs	*Secretary*

EXECUTIVE COMMITTEE

Nathan Bowen
Pierre R. Bretey
Glenelg P. Caterer
Lawrence C. Cooper
Shelby Cullom Davis
Joseph M. Galanis
Lancaster M. Greene
Patrick J. James
Sidney B. Lurie
W. Sturgis Macomber
Woodward B. Norton
John W. Spurdle
Albert P. Squier
John Stevenson
Herbert F. Wyeth

COMMITTEE CHAIRMEN

Frederick Hurd	*Constitution*
John F. Childs	*Corporate Relations*
Helen Slade	*Employment*
W. Sturgis Macomber	*House*
Chauncey L. Mitchell, Jr.	*Membership*
Sidney B. Lurie	*Program*
Pierre R. Bretey	*Publications*
Thomas M. Foristall	*Publicity*
Walter K. Gutman	*Standards*

GROUP LEADERS—*Luncheon Forums*

Sidney B. Lurie	*Program Chairman and Director*
William R. White Nicholas E. Crane Howard Prior Donald H. Randell David S. Bellows	*Industrials*
Herbert Bernenko Lawrence T. Ryan Ira D. Daly	*Utilities*
Joseph T. Small Arthur M. Leinbach	*Railroads*
Lancaster M. Greene Norvin R. Greene	*Special Subjects*

Our

SAMUEL B. JONES is vice-president in charge of the Fire Association of Philadelphia investment portfolio. His investment experience covers a period dating back to the disastrous 1929–30 bear market era. His path leads from trust company investment work, to investment counsel activity, to war department renegotiation work and in 1945 to the Fire Association. In 1950 he was President of the Financial Analysts of Philadelphia.

WOODLIEF THOMAS is director of the division of research and statistics for the Federal Reserve Board. He has been associated with the Federal Reserve Board and Federal Reserve banks since 1920. From 1928 to 1930 he served as economist for the Transfer Committee in Berlin. He is the author of several books and numerous articles.

B. BARRET GRIFFITH was an investment and trust officer of a local bank before World War II. During the war he was detailed to Admiral Land in the Navy and was in charge of V loans for shipbuilding. Since the war he has been in investment counseling (B. Barret Griffith & Company) and is executive vice-president of the Elsinore Cattle Company of Fort Stockton and San Antonio, Tex.

LANCASTER M. GREENE is with Lancaster & Norvin Green, investment advisers, which he founded in 1927 after four years as a bond salesman. He is a trustee of the Henry George School of Social Science and vice-president and director of the Robert Schalkenbach Foundation.

JOHN E. KUSIK has been vice-president of finance for the Chesapeake & Ohio Railway since 1949. Before that he was traveling auditor for General Electric Company, assistant to the comptroller with numerous management engineering assignments in the United States, Brazil, Argentina, China, Japan, and Australia, and later chief financial officer of a major subdivision. He is a member of Phi Beta Kappa. He is vice-president of the White Sulphur Springs Company and vice-president and director of Manistee & Northeastern Railway and affiliated companies. He is a member of Phi Beta Kappa and of the New Jersey Chamber of Commerce.

DONALD B. MACURDA is associated with The First Boston Corporation in a senior capacity. For several years he has headed industrial research at Clark, Dodge and Company, specializing in chemicals, steels, and light metals. He attended Bowdoin College and started his investment career in Boston with Estabrook & Company, serving in both their Boston and New York offices in various capacities.

WALTER MAYNARD graduated from Harvard in 1928. He is a partner of Shearson, Hammill & Company, and this year is also President of the Association of Stock Exchange Firms. During World War II he served with the Air Force and was decorated by the American and British governments for his work in connection with bombing policy. He has long been interested in economic theory and its application to problems of security analysis and has addressed our own Society and other business groups throughout the country on these and related subjects.

VERGIL D. REED has been associate director of research for the J. Walter Thompson Company since 1944. During the '30's he was chief of the retail and wholesale trade division and later assistant director of the U. S. Bureau of the Census. During World War II (1942–44) he served as chief of the general statistics staff and of the industry and facilities branch, Statistics Division, War Production Board. He is the author of several books and has had many articles published in technical and professional journals.

JOSEPH R. BENTERT, who spoke at the synthetic fibers forum of the Fourth Midwest Forum in Chicago, is a textile engineer with Sears, Roebuck & Company.

Authors

PAUL MURPHY has been investment manager for Oglebay Norton & Company of Cleveland since 1938. From 1936 to 1938 he was with Barrett Associates. A graduate of the Harvard School of Business Administration and a past president of the Cleveland Society of Security Analysts, he is the author of a number of financial articles.

MORTIMER SPIEGELMAN, assistant statistician of the Metropolitan Life Insurance Company, has degrees from Polytechnic Institute of Brooklyn and the Graduate School of Business Administration of Harvard University. He is president of the New York Area Chapter of the American Statistical Association, on the board of directors and executive committee of the Social Science Research Council, and on the board of directors of the Population Association of America. He is author of many articles on population trends and on various social and demographic topics.

R. W. STORER, vice-president of the Mellon National Bank and Trust Company, attended Harvard Business School and did statistical research with Kidder, Peabody & Company and Tri-Continental Corporation until 1933. He subsequently headed the United States investment activities of the Phoenix London Group of insurance companies. In 1945 he joined the investment department of the Union Trust Company of Pittsburgh, which later merged with the Mellon National Bank to become the Mellon National Bank and Trust Company.

LOUIS A. SHAPIRO is editor of the United Nations *Monthly Bulletin of Statistics*. He was formerly on the British staff of the Combined Production and Resources Board, Washington, D. C., and on the staff of the department of sociology, McGill University, Montreal.

WILLIAM R. LEONARD is director of the Statistical Office of the United Nations and a member of the board of directors of the American Statistical Association. He was formerly deputy chief of the division of statistical standards, U. S. Bureau of the Budget, in Washington, D. C.

WILLIAM F. C. EWING, president and chairman of the board of Alexander Smith, has had thirty-one years' experience in the floor coverings industry. He started with Alexander Smith as a salesman in 1921 and later served as advertising manager, district sales manager, secretary, and vice-president and treasurer. During World War II he was chief of the floor coverings section of the War Production Board.

GEORGE M. LEWIS, who spoke at the meat packing forum of the Fourth Midwest Forum in Chicago, is vice-president of the American Meat Institute.

HENDRIK A. DIAMANT was born and educated in The Netherlands, where he studied law and economics. He has been a member of the Wall Street fraternity since 1925. After a few years with the editorial staffs of Standard Statistics, and the *Commercial and Financial Chronicle*, he joined Stone & Webster in 1927, where his activities were concentrated on public utility underwriting and general security analysis. Since 1943 Mr. Diamant has been public utility analyst on the research staff of Baker, Weeks & Harden.

ALBERT I. A. BOOKBINDER received his M.A. degree in economics from Columbia University in 1939. He also did further graduate work in finance toward his Ph.D. degree at the University of Pennsylvania, while he was financial statistician for the Securities & Exchange Commission. He has been with the Government and in private industry as well as in Wall Street.

ROLF E. WUBBELS is assistant professor of finance, school of commerce, accounts and finance, New York University. Formerly he was of Temple University, the University of Rochester, and Millsaps College.

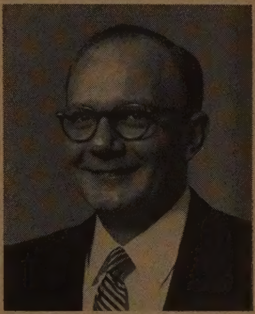
EVERETT DOMINICK is a member of the New York Society of Security Analysts and a financial writer. He was with the Navy in World War I and has an M.A. in economics from Yale and a BCS from New York University.

W. M. DENNIS, whose article appeared in the March 1952 issue of the JOURNAL attended Cornell College, Mount Vernon, Iowa, and not Cornell University and the University of Iowa, as stated in the March issue.

Lancaster Greene

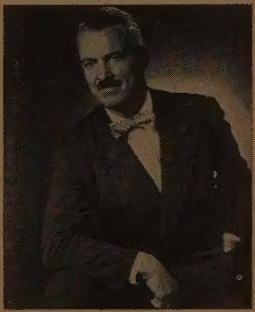
MARCUS NADLER

Professor of Finance, New York University, and winner of the Alexander award for 1951



JOHN G. EIDELL

Cochairman of registration for the Fifth Annual Convention, Member of the Speakers Bureau, NFFAS, and Secretary-treasurer, Security Analysts of San Francisco



LANCASTER M. GREENE

Member of Executive Committee and Chairman of Redecorating Committee, New York Society of Security Analysts

More Telephone Service for More People Than Ever Before

A Report of Progress from the 1951 Annual Report of the American Telephone and Telegraph Company

Again in 1951 the Bell System rendered more service than in any previous year. An even larger number of telephones (2,070,000) was added than in 1950 or 1949. Telephone conversations reached an all-time high.

More than a billion dollars was expended for new construction. Nevertheless, demand for service continued to run ahead of this tremendous building program, and the load on lines and switchboards increased as the year went on.

National defense was—and continues to be—our task of first importance. This is an extremely big job, for military and civil defense communication needs today are even more varied and extensive than in World War II.

Improvements in Service

The average telephone was made even more dependable—more free from mechanical failure or imperfect operation—than at any time in the past.

More and more voiceways were provided in 1951 through coaxial cable and radio relay systems. Operators were able to dial many more Long Distance calls straight through to the distant telephone. In November, an important trial of Long Distance dialing by customers began in Englewood, New Jersey. Telephone service to farmers continued to expand rapidly.

Telephone rates that produce a reasonable profit will always be essential to good service, and good service is vital to our national life.

Our ability to attract and protect the savings of investors and keep on doing a better job in the future depends fundamentally on good earnings and good credit.

Financial good health is the basis for real economy in rendering service, for it enables the Bell System to invent, develop, finance and install the new and better facilities which improve service, partially offset rises in costs caused by inflation, and save the public money.

A Reasonable Rate Program

While increases in telephone rates have varied for different classes of service in different places, on the average they have amounted to only about twenty per cent since 1940, and the average increase per telephone is less than five cents a day.

At the end of the year there were 648,500 Bell System men and women—an increase of about 46,000 over 1950. More than 220,000 employees have been with us ten years or more, 142,000 have served twenty years or more, and 94,000 have completed twenty-five or more years of telephone work.

Good Service with Good Spirit

The men and women of the Bell System are its greatest asset. They served the nation well in 1951. Their ability and good spirit are the foundation for confidence in the years to come.

BELL TELEPHONE SYSTEM

The Point of View of a Fire Insurance Company Investment Buyer

SAMUEL B. JONES

SEVERAL MONTHS AGO I undertook to explore the fire and casualty company common stock buying potential before a group of our Philadelphia analysts. An estimate had attributed to various types of institutions an annual $900 million potential appetite for common stocks, and had assigned $250 million of that amount to the fire and casualty companies. My conclusion at the time, however, was that no immediate likelihood existed that the fire and casualty share of the appetite would be satisfied during the remainder of 1951. I may have been wrong, of course, for the market continued going up for the remainder of the year and then some!

Nevertheless, from kindly comments made, I judge that my remarks, if not convincing, at least were instructive, insofar as they indicated the various criteria by which a fire and casualty company investment buyer plots the limits within which he can prudently operate. Therefore, a review of my reasons for concluding a lack of common stock buying power may be acceptable as a "refresher" to those who appraise the investment merits of insurance company stocks and are interested in the standards of measurement by which the companies themselves judge their investment needs. I would like to offer this approach as inducement to would-be readers. I would then like to use my own experience last year here at the Fire Association of Philadelphia to illustrate my points; and, finally, I would like to venture some criticisms of these mechanical guides and suggest some modifications of the time-honored investment approach, in order to preserve investment assets more adequately in the future.

INVESTMENT PHILOSOPHIES DIFFER WIDELY

One statistical service lists 372 stock fire and casualty companies, not to mention some 250 mutuals. Obviously, no set of rules has been accepted as an investment guide by all of these, and it is hardly likely that such a decentralized industry could be made to conform to an established investment pattern. As a matter of fact, investment philosophies themselves differ widely. There are, for instance, those companies that in the past have placed primary stress on bonds rather than stocks. In this category we think of the Aetna, Hartford, St. Paul Fire and Marine, the Fireman's Fund, and the great majority of the casualty companies. This group takes the point of view, no doubt, that it operates in the insurance business and must assume considerable risk and liability as it is, without extending risks into another field. There is much to be said for this point of view, particularly for those companies that are without adequate investment facilities or those that carry an unduly high or concentrated insurance risk.

The majority of the fire companies, however, are aggressive common stock investors. They need the better income return to bolster their dividend-paying ability, and they seek through common stocks to ward off, as best they may, the squeeze on surplus from an inflationary rise in liabilities. The larger and more prominent of the stock-minded fire and casualty companies include the Continental, Fidelity-Phenix, the Home, and the Insurance Company of North America. To illustrate the contrast between the two groups, the bond companies, such as the Aetna, Hartford, the Fireman's Fund, and St. Paul, judging from last year's reports, hold approximately 15% of their assets in common stocks. Among assets I include cash, receivables, real estate, and all other assets as well as securities. The common-stock-minded companies, on the other hand, hold as much as 40 to 45% of their total assets in common stocks. So that you may judge the color of glasses through which this analysis is made, the Fire Association of Philadelphia, the portfolio of which I manage, is approximately 30% invested in common stocks and, accordingly, by classification joins the stock-minded companies.

However, that one favors common stocks has not necessarily been the controlling factor in choosing between bonds and stocks. The fire and casualty company investment buyer has other concerns than a mere appraisal of the general economic and investment outlook. The big point of distinction between the investment department of a fire and casualty company and the activities of a general investment fund is that the investment department of the fire and casualty company is part and parcel of an institution actively engaged in writing insurance. The investment policies must necessarily be patterned after the requirements of the insurance company's chief purpose in life.

CERTAIN BASIC CRITERIA

Whereas companies within the industry lack uniformity and whereas some are more aggressive than others in acquiring common stock investments, nevertheless, because of this interrelationship between the insurance activities and investment needs, there are in a general way, certain basic criteria by which the portfolio manager determines his investment requirements.

Specifically and without regard to the investment outlook, I think it is fair to say that the following points crystallize the various considerations to which portfolio managers pay respect:

1. Business liabilities (all liabilities except capital items) should be offset by cash, receivables, and money-rate bonds, be they short or long term.

2. Policy holders' surplus (capital, surplus, and voluntary reserves) should be exposed to no more than a judi-

cious degree of common stock risk, dependent primarily on its relative abundance in relation to premium reserves.

3. A poor underwriting experience or an unfavorable outlook should be compensated by additional investment caution.

4. Net investment income must, in any event, leave no doubt that dividends are covered by a safe margin.

RELATIONSHIP BETWEEN LIABILITIES AND RESOURCES

In way of explanation, so far as point one is concerned, it is certainly obvious that a relationship exists between business liabilities and liquid resources. The loss reserve, the tax reserve, the expense reserve, the commission reserve, and a goodly share of the premium reserve are surely current liabilities. Some will argue that premium reserves can always be ceded and, therefore, should not be included among current liabilities. Others will draw a similarity to deferred receivables, and again eliminate them from business liabilities. In essence, however, although the premium reserve is established on the principle of future earnings to be drawn down only with the elapse of time, it is in fact the single measure of insurance risk appearing on the balance sheet.

If the business were to be liquidated, it no doubt would be reasonable to consider premium reserves as salable; but the job of the investment department is to keep the company alive and active. If the industry was immune to catastrophe, we could accept the deferred earnings interpretation. The fact of the matter is, however, that catastrophes do occur, and a reserve against the hazards assumed is essential. Moreover, the covering assets must be maintained in readily available form and at well-assured values. Nevertheless, we do know from practice that, if the average loss experience is realized in the period immediately ahead, some future earnings are tied up in the premium reserve. Investment analysts say it is approximately 40% for fire companies and 35% for casualty companies. In deference to this logic, some of us are willing to compromise the first criterion to the extent of substituting money rate preferreds for bonds for that portion of the premium reserve representing anticipated earnings of the future.

SECOND CRITERION REQUIRES CAREFUL THOUGHT

The second criterion is a matter for careful thought. How much of a portfolio can be invested in equity risk issues? There is more than the market outlook at stake in the answer to this question. Just as a banker is reluctant to extend loans beyond a certain ratio to his capital funds, so also an underwriter is reluctant to extend sales of insurance policies beyond a certain ratio to his company's policy holders' surplus. The ratio used to be a dollar of policy holder surplus for a dollar of premium reserve. Pressure of circumstances has liberalized this relationship in the minds of most of us to 1 to 1½, or even to 1 of policy holders' surplus to 2 of premium reserves. Whatever the accepted ratio, the capacity of an insurance company to write its business is dependent on its capital funds. Therefore the relative abundance of surplus is all-important in the decision as to what the maximum exposure in equity risks should be. Those companies with an abundance of capital funds are not so much concerned about this matter. Those with less capital abundance, on the other hand, must tread warily.

To illustrate: The Insurance Company of North America, the Fidelity-Phenix, the Continental, and the Hartford Fire, have 50% to 60% of the liability side of their balance sheets in the form of capital funds. These companies enjoy abundance. On the other hand, there are those with a relative scarcity of capital funds such as the Glens Falls, the Aetna, and the Security of New Haven. The former group can afford to practice greater leniency toward common stocks. The North America reports common stocks equal to 94% of policy holders' surplus. The Fidelity-Phenix and the Continental hold common stocks to the equivalent of approximately 80 to 90% of policy holders' surplus. The Hartford Fire shows evidence of adhering less rigidly to its defense of bonds.

On the other hand, those with a less plentiful supply of capital funds in relation to their volume of insurance business, are more likely to guard their position zealously and protect what they have. The Glens Falls, with less than 30% of total liabilities represented by policy holders' surplus, has limited its common stocks to a little over 40% of capital and surplus. The Aetna, in a similar position, holds just about 50%, and the Security approximately 45% of its policy holders' surplus in common stocks.

NO HARD AND FAST RULE

There is no hard and fast rule of just what the ratio of common stocks to policy holders' surplus should be. To judge by the examples given, if capital funds make up approximately half of total liabilities, commons under favorable circumstances may reach upward toward 90 or 100%. When this is the case, however, every time the stock market averages fluctuate, these companies must expect an equivalent fluctuation in their own policy holders' surplus unless they are more adept than most of us. If capital funds are in the neighborhood of a quarter of the liability side of the balance sheet, then discretion in the use of common stocks is generally accepted as the better part of valor. You will see some exceptions to this generalization in the accompanying table, but for the most part I think it a fair conclusion.

INSURANCE COMPANY IS TWO BUSINESSES

Then come the last two criteria. They can be disposed of quickly. In a sense, an insurance company is two businesses, even though they be closely interrelated. If risks mount in one, it is only good judgment to curtail the risks of the other. A poor underwriting record is evident of a disproportionate underwriting risk. The customary proof of this is the best formula: the ratio of losses and loss adjustment expense to earned premiums plus the ratio of expense to written premiums. The difference between the sum of these and 100% is about as near as one can come to approximating a true current year profit margin. Profit margins have suffered of late for various and sundry reasons, such as disasters of Texas City nature, hurricane, inadequate rates, and pioneering activities into multiple line writings. Until profit margins are re-established on firm ground, an investment policy should compensate with conservatism for unusual underwriting risks assumed.

Criteria Illustrations from Early 1951 Annual Reports

Insurance Company	% Policyholders' Surplus of All Liabilities incl. Capital, etc.	% Cash, Receivables, & High-Grade Bonds to Bus. Liabilities	% Common Stocks to Policyholders' Surplus	% Dividends Paid to Net Investment Income	% 10-yr Underwriting Profit Margin, Geyer's 1950 Analyzer	% 1950 vs 1945 Liquidating Value, Geyer's 1950 Analyzer
Fidelity-Phenix	53.5	93.5	95.0	73.0	6.6	155.0
Continental	53.4	106.0	82.1	73.5	7.4	150.0
Phoenix, Hartford	49.7	120.0	61.[illegible]	51.0	5.1	128.0
Insurance Co. of NA	45.8	79.4	92.0	72.2	6.8	155.0
Great American	41.8	79.0	100.0	51.0	4.3	134.0
Boston	40.4	92.0	72.0	69.0	3.2	114.0
Camden	37.7	94.8	69.7	57.2	3.7	117.0
Fire Association	36.2	80.8	83.5	45.3	2.6	143.0
Agricultural	34.9	97.6	57.3	16.0	2.3	112.0
Hartford Fire	33.4	104.0	43.8	47.0	7.8	114.0
Hanover	32.2	81.9	79.7	58.8	2.7	124.0
Glens Falls	29.6	109.0	43.5	58.7	6.6	128.0
Aetna	26.7	108.0	54.7	54.0	3.1	115.0
Security, New Haven	26.6	96.5	45.8	62.0	2.1	103.0
Firemen's, Newark	22.8	66.9	110.0	40.7	3.0	162.0
	*	*	*	*	*	*
U. S. Guarantee	53.9	147.0	44.7	73.0	19.4	130.0
Continental Casualty	27.7	106.6	53.3	53.0	6.3	161.0
Maryland Casualty	26.1	102.0	53.0	62.2	6.9	246.0

Finally, we must contend with the ever-present doctrine that dividends are paid from net investment income. Far be it from me to explain why one segment of a company's operation alone should be called on to provide the wherewithal for dividend payments, but nevertheless this is the case. It imposes a high degree of inflexibility on portfolio management. Cash is frowned on as a medium of investment. Withdrawing from the market becomes the more difficult. Yet, net investment income must be religiously maintained whatever the investment outlook.

A CONCRETE ILLUSTRATION

Now, to provide some concrete illustration of the application of these criteria, I will draw on the 1951 experience of the Fire Association. This need not be accepted as solely a report of the mental processes and practices of an individual operating unit. The Fire Association is somewhat of a typical instance. You will notice from the table that our capital and surplus, perhaps, is slightly on the short side of the middle of the range between the abundant and the less abundant policy holders' surplus categories. We are not so "flush" that we cannot appreciate the limitations of our surplus position, and yet we are sufficiently well "heeled" so that we can, on occasion, humor our desire for common stocks. Consequently, we are in a good position to experience the reflexes of the industry. This being the case, a recount of last year may well typify experiences of others.

1951 AN UNSATISFACTORY YEAR

From an underwriting standpoint, 1951 was an unsatisfactory year. We were still feeling the effects of the severe windstorm that occurred a year ago last November. As a matter of fact, losses ran high throughout the year. Nation-wide, fire losses were up 6.2% above 1950. This meant higher reported and incurred losses. Liabilities increased, and cash declined accordingly. Obviously, investment policy had to recognize this. The number one rule of financial stability, that business liabilities must be covered by cash, receivables, and money-rate bonds, kept us busy strengthening our bond account. Substantial additions were made during the course of the year to bring liquid and high-grade resources up to offset the expanding liability.

Second, the whole industry enjoyed an increase of premium volume last year, and we shared in that increase. Incidentally, this is a good illustration of the way inflationary trends affect the industry. The policy holders tend to write up insurance protection to prevailing values during periods of rising prices. Our premiums were 18% higher in 1951 than in 1950. From an investment point of view the result again is obvious. On the liability side of the balance sheet premium reserves advanced. Again, in order to keep cash, receivables, and bonds on a par with business liabilities, we had to keep adding to our high-grade bond account. So: losses were heavy and the bond account needed replenishing; premiums increased and the bond account had to be augmented.

Now as to the second criterion. The relationship of common stock holdings must be balanced against the relative abundance of capital funds. Common stocks were advancing almost continuously throughout the year. Thanks to generous holdings of oils, chemicals, and other good performers, the ratio of common stocks owned to policy holders' surplus kept pressing on maximum limits previously regarded as desirable only under the most favorable circumstances. The 74% ratio of common stocks to policy holders' surplus as of December 31, 1950, appeared generously adequate at the time, and yet, as the year 1951 advanced, we found our common stocks surging ahead to well above 80% of our capital funds. Though the mechanical application of the yardstick was not alone responsible, this consideration was definitely persuasive in inducing us to undertake a common stock curtailment program as the year progressed. So, too, was the knowledge that our company was venturing forth into the casualty field for the first time under multiple line privileges. We were well aware of the poor results reported by well-established carriers in those lines.

It was anticipation of these various factors that was instrumental in my conclusion, made early last summer and referred to in the opening paragraphs of this article, that I doubted the existence of any common stock buying capacity at large in the industry. Conversations with others managing portfolios within the industry seemed to confirm this opinion. Since then, the rising premium volume has produced a resumption of the inflow of cash which the industry customarily enjoys. The bond position has been fully restored to a level commensurate with the higher liability totals. It may now well be that free cash is again available in this industry. From the few 1951 annual reports that have been released to date, however, I would judge that policy makers still must seriously ponder the degree to which policy holders' surplus may prudently be exposed to common stock investments.

For my own benefit, each year, as the annual reports come through from companies in our business, I jot down various ratios by which to note how closely we all keep to the parade. So far, I have received only a dozen or so of these reports but, since my columns illustrate many of my comments, the sketchy table may prove of interest. I prefer consolidated figures, but, where these are not available, I try to adjust so that the figures are as nearly comparable as possible. Perhap it is indiscreet to print figures which, short of a thorough analysis of convention reports, must in part be based on assumptions and estimates. However, I do not believe the figures are very far off, and, if I am sued for libel, I will beg off on the grounds of typographical error.

My article is now concluded. Having written it, however, I think it is only fair to write my own criticism. I mentioned in the beginning that I would like to suggest some modifications to the generally accepted guides as I have outlined them. I suppose these criteria are the outgrowth of times gone by and, having withstood the test of years, should not be altered without very good reason. I suggest, however, that the following changes in fundamental factors are compelling arguments for change.

1. Political expediency has cast fiscal economy to the winds. As a result, progressive dollar debasement is a major investment factor of the future.

2. The era of planned economy seems to have established money rates on a permanently low yield and unattractive basis.

3. High corporate taxes levied in full against interest and income as compared with an 85% corporate tax exemption applicable to dividend income just about removes all income attraction from taxable bonds as compared with stocks.

4. An accelerated pace of new invention augurs convincingly for a dynamic industrial expansion in years to come. If the insurance industry—regulated as it is—is to fulfill its obligation to the larger economy of the future, it, too, must participate in the growth. The last column on my table shows remarkable achievement in this direction. The industry must continue and improve on this record.

To me, the sum total is that the risk in cold cash and money-rate securities is certainly no less in the long run than it is in well-timed purchases of selected equity issues. New kinds of "exposure" have reared up. I question whether the ratio of common stocks to policy holders' surplus any longer measures the chief "exposure" by which a company's capital and surplus is endangered. To be sure, capital and surplus is a dollar figure, and the debasement of offsetting fixed dollar assets will be no different from the debasement of capital values. On the other hand, an inflationary expansion of liabilities would result most certainly in a corresponding decline in the relative value of capital and surplus if anchored rigidly to the best the bond market has to offer. The future may well pose a capital and surplus problem. Not because capital and surplus declines in dollar amount but because capital and surplus fails to keep pace with the economy as a whole. To forestall this is my purpose.

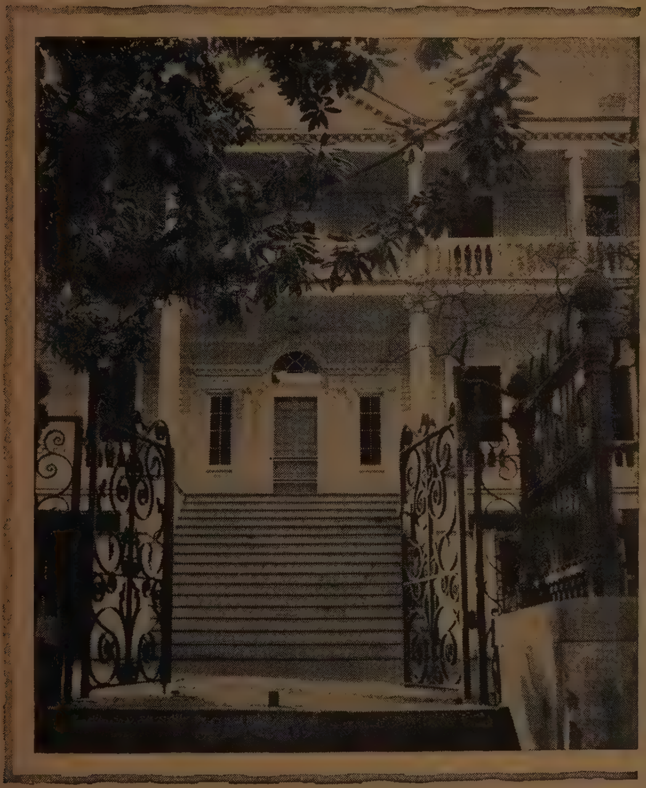
WOULD MODIFY CRITERIA

Accordingly, though the principles behind the criteria remain intact, I would suggest modifying the means of providing for the execution of those principles. I would modify the criterion that requires that cash, receivables, and bonds must cover all business liabilities. I would establish from the past record what the maximum claim on assets in the light of present-day conditions might be in the event of a calamitous disaster and then provide an impregnable cash and short-term note, bill, and certificate position to cover any such contingency. I would then look to my capital, as distinct from the combination of capital and surplus which makes up policy holders' surplus, and make sure that a decline of one half to two thirds in stock market values would not jeopardize this figure, even though a poor market converges with a poor underwriting period. Then I would use the greater freedom from mechanical restrictions to build up equities, varying the proportions between the very best of preferreds and common stocks, depending on the last two criteria—the need for caution, the need for income and the investment outlook. I would then spend less time worrying about what my year-end policy holders' surplus would look like. Theoretically, for the Fire Association this would increase our potential use of equities by at least a quarter and permit greater reliance on investment judgment without inhibitions created by rigid mechanical relationships.

FAMOUS AMERICAN HOMES

The "Cornwallis" House...

VETERAN OF THREE WARS



When Lord Cornwallis came to Wilmington in April 1781, as his headquarters he requisitioned part of the finest dwelling in town, the home of Judge Joshua Grainger Wright. Although he stayed only two weeks, this fine old North Carolina mansion has ever since been known as the Cornwallis House. For many years initials scratched on a windowpane in the drawing room were reminders of the brief romance between a junior officer on Cornwallis' staff and one of Judge Wright's lovely daughters. By an amazing coincidence, a century later when a descendant of the Wright family was returning to Wilmington from a trip abroad, she met on shipboard a young Englishman who confided that he was making a pilgrimage to the Cornwallis House to see the initials which one of his ancestors had engraved on a window with his heavy diamond ring.

The house was built in 1771 by the wealthy John Burgwin, treasurer of the colony. When he went to England at the start of the Revolution he leased the house to Judge Wright who later purchased it.

The foundations were built on the site of the old town jail. In the dungeon beneath the house were confined many rebellious colonists who disobeyed the edicts issued by Cornwallis. According to local lore, leading from the dungeon to the Cape Fear River was a tunnel through which many persons escaped.

This gracious home of Southern aristocrats was used by armed forces in three wars: During the Revolution it was occupied by the British; in the War Between the States it quartered Federal officers after Wilmington had been captured by Union armies; and in World War II it served as an officers' club.

The Cornwallis House is now the headquarters of the North Carolina Society of the Colonial Dames of America. Authentically restored, it is open to the public through the society's generosity.

The Home, through its agents and brokers, is America's leading insurance protector of American homes and the homes of American industry.

☆ **THE HOME** ☆

Insurance Company

Home Office: 59 Maiden Lane, New York 8, N. Y.

FIRE • AUTOMOBILE • MARINE

The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity and Surety Bonds

Copyright 1952, The Home Insurance Company

HIGHLIGHTS OF THE 40TH ANNUAL REPORT

Commercial Credit Company

BALTIMORE

The activities of Commercial Credit Company are operated through three divisions, consisting of its Finance Companies, Insurance Companies and Manufacturing Companies.

Gross Receivables acquired by its Finance Companies, Earned Premiums of its Insurance Companies and Net Sales of its Manufacturing Companies were larger than for any previous year in the history of the Company.

COMMERCIAL CREDIT PLAN

Consolidated balance sheet as of December 31, 1951

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand		$ 66,159,758.15
Marketable Securities:		
U. S. Government Obligations	$ 74,398,664.77	
Other Marketable Securities	15,068,553.91	
	$ 89,467,218.68	
Less Reserves	632,577.49	88,834,641.19
Accounts and Notes Receivable:		
Motor and Other Retail and "F.H.A."	$443,073,595.21	
Motor and Other Wholesale	146,867,915.21	
Open Accounts, Notes, Mortgages and Factoring Receivables	91,974,914.87	
Direct or "Personal Loan" Receivables	40,241,438.55	
Sundry Accounts and Notes	3,226,539.89	
Total	$725,384,403.73	
Less Reserves for:		
Unearned Income	$ 23,477,398.65	
Losses on Accounts and Notes	11,880,962.28	
Total Reserves	$ 35,358,360.93	690,026,042.80
Other Current Assets:		
Trade Accounts and Notes Receivable "Manufacturing Companies"	$ 7,358,150.90	
Premiums Receivable-"Insurance Companies"	295,636.26	
Inventories-"Manufacturing Companies"	11,903,689.28	19,557,476.44
Total Current Assets		$864,577,918.58
FIXED AND OTHER ASSETS:		
Land, Buildings, and Equipment "Manufacturing Companies"	$ 8,031,852.02	
Company Cars—used by Representatives	1,329,660.04	
Cash Surrender Value Life Insurance	93,086.19	
Repossessions—at depreciated values	495,133.61	9,949,731.86
DEFERRED CHARGES:		
Prepaid Interest and Discount	$ 2,852,949.66	
Prepaid Insurance and Expenses	1,222,548.15	4,075,497.81
		$878,603,148.25

LIABILITIES, CAPITAL AND SURPLUS

CURRENT LIABILITIES:		
Notes Payable—Unsecured Short Term		$455,073,500.00
Accounts Payable:		
Credit Balances of Manufacturing and Selling Agents	9,442,460.54	
Sundry	10,619,485.41	
Due Customers only when Receivables are collected	7,626,545.86	27,688,491.81
Accrued Income and Excess Profits Taxes		28,909,084.55
Accrued Other Taxes		3,015,893.15
Customers' Loss Reserves		19,358,156.49
Total Current Liabilities		$534,045,126.00
UNEARNED PREMIUMS—"INSURANCE COMPANIES"		31,371,410.93
RESERVES FOR:		
Losses and Loss Expense—"Insurance Companies"	$ 5,703,274.26	
Fluctuations in Security Values	406,184.71	
Canadian Exchange Fluctuations	130,496.18	6,239,955.15
UNSECURED NOTES:		
Notes, 2¾% due serially—1953-1957	$ 41,500,000.00	
Notes, 3¼% due 1961	40,000,000.00	
Note, 3% due 1963	50,000,000.00	131,500,000.00
SUBORDINATED UNSECURED NOTES:		
Notes, 3% due 1957	$ 25,000,000.00	
Notes, 3.95% due 1964	25,000,000.00	50,000,000.00
MINORITY INTEREST IN SUBSIDAIRIES		62,063.94
CAPITAL STOCK AND SURPLUS:		
Common Stock—$10 par value:		
Authorized—3,000,000 shares		
Issued and Outstanding—2,278,843 full shares and 130 shares of fractional scrip	$ 22,789,730.00	
Capital Surplus	38,042,919.93	
Earned Surplus	64,551,942.30	125,384,592.23
		$878,603,148.25

A few facts, as of December 31, 1951 and 1950

CONSOLIDATED OPERATIONS	1951	1950
Gross Finance Receivables Acquired	$2,783,942,471	$2,346,583,865
Gross Insurance Premiums, Prior to Reinsurance	41,604,516	42,739,802
Net Sales of Manufacturing Companies	99,115,875	84,992,183
Gross Income	118,941,880	106,138,880
Net Income from Current Operations, before United States and Canadian Income Taxes	44,937,240	41,022,804
United States and Canadian Income Taxes	[illegible]	19,869,293
United States Excess Profits Tax	1,000,000	1,300,000
Salaries, Wages, Commissions	46,625,518	43,059,111

NET INCOME	1951	1950
Finance Companies	$11,873,474	$10,925,044
Insurance Companies	3,265,108	5,397,361
Manufacturing Companies	4,575,305	3,531,106
Net Income from Current Operations	$19,713,887	$19,853,511
Net Income per share on Common Stock	[illegible]	$8.64
United States and Canadian Taxes on Income—per share	11.06	9.28
Book Value per share—Common Stock	55.01	51.02

Detailed Report is Available Upon Request

More than 300 Offices in Principal Cities of United States and Canada

Money Trends*

WOODLIEF THOMAS

MONEY TRENDS during the past ten or fifteen years years have been largely dominated by developments in the Government securities market. This does not mean that Government borrowing has been the most important factor in the money markets. It means simply that Government securities have become one of the principal liquid resources of financial institutions, as well as of corporations and individuals, and that any changes in demands for money or in the supply of loanable funds are likely to be reflected promptly in the market for Government securities. Government securities, moreover, have provided the principal medium for obtaining Federal Reserve credit, which represents additions to the over-all credit base.

IMPORTANCE OF GOVERNMENT SECURITIES IN MONEY MARKET

Some figures may be quoted to illustrate the shift in the position of Government securities in the debt structure and in the money market during the past twenty-odd years. The total Federal Government debt now totals about $260 billion, with a net debt of $220 billion, after excluding securities held in accounts of Federal Government agencies and trust funds, compared with a net debt of little over $40 billion in 1939 and of less than $20 billion in 1929.

The changing importance of this debt is indicated by the figures in Table 1. In addition to these striking changes, it is significant that business corporations now generally hold over $20 billion of Government securities, almost as much as their bank deposits, compared with some $2 billion or one fifth of their bank deposits in 1939. Holdings of Government securities by individuals are more than six times as large as in 1939 and now amount to over half of their deposit and currency holdings, compared with about one fourth in 1939.

This growth in holdings of Government securities has been the inevitable result of two decades of deficit financing —particularly in the war period—and the accompanying growth in savings. The securities had to be held by someone—if not by individuals, businesses, or savings institutions, then by banks, which would have thereby created deposits for the other groups to hold. It is nevertheless significant that Government securities have possessed a high degree of liquidity that made them almost equivalent to money and gave them a dominant status in the money market. Some of the principal reasons for this liquidity will be briefly summarized.

One of the principal reasons is the existence of a large continuous market demand for such securities. The U. S. economy is characterized by a high degree of saving, and a considerable proportion of the new savings constantly seeks investment in relatively riskless assets providing some income. Institutional investors particularly generally maintain some portion of their funds in Government securities. In addition, holders of liquid funds wanting returns free from risk of wide price fluctuations provide a demand for short-term Government securities. The growth in the supply of such funds has not been accompanied by increases in other types of paper meeting the requirements—such as bankers' acceptances and stock market loans.

The large volume of outstanding Government securities with short maturities provides a high degree of liquidity. Over $50 billion of the marketable U. S. securities outstanding mature within one year and $100 billion within five years. In addition, $60 billion of nonmarketable obligations are redeemable for cash on demand.

Maintenance of a continuous and relatively active market for Government securities has been facilitated by the development of large-scale dealer organizations to market such securities. In view of the very large amounts involved

Table 1

Percentage of	December 31 1951	1945	1939	1929
U.S. Govt. securities outstanding (net*) to all other debt	74	163	30	9
Coml. bank holding of U.S. Govt. securities to total bank assets	35	56	25	8
Life insurance company holdings of U.S. Govt. securities to total assets	16	46	19	2

*Excluding securities held by Government agencies.

---

*This article is based upon remarks made at a luncheon meeting of the New York Society of Security Analysts, January 22, 1952. Some revisions have been made to bring the figures up to date and take account of subsequent developments. The author is economic adviser to the Board of Governors of the Federal Reserve System and to the Federal Open Market Committee, but the views expressed in this paper should not be considered as representing the official views of those bodies, except to the extent that they have been expressed in public statements.

in many of the transactions, the market that has developed is a transactions or over-the-counter market, based in part on the willingness of dealers to take positions, rather than an auction or stock exchange type of market. The total money volume of the transactions handled is relatively large.

Finally, one of the most important reasons for the high degree of liquidity that has prevailed in the market for Government securities during recent years has been the active support given that market by the Federal Reserve. The desirability of such support developed in small part during the depression years, when monetary and credit policies were appropriately directed toward stimulating expansion through maintaining easy money conditions. It became more essential in the war period in order to aid the large-scale financing task of the Government, although there may be reasonable differences of opinion as to the degree and nature of such aid that was necessary. Federal Reserve support of the Government securities market continued into the postwar period because of the difficult problems of transition created by the sharply increased public debt, even though it was recognized that such policies contributed to the development of inflation.

With growing private demands for money and capital in the postwar period, there was an attempt on the part of holders of Government securities to sell them. Since these demands were in excess of the supply of savings currently available for investment, the Federal Reserve had to purchase Government securities if a decline in their prices was to be prevented. This practice resulted in the creation of new money, and it was, therefore, described as monetization of the public debt. The new money created by the Federal Reserve was especially powerful because it added to commercial bank reserves and thus supplied the basis for a further growth in bank credit and deposits amounting to six or more times the addition to reserves.

COMPARISON WITH MONEY MARKET OF 1920'S

The importance of Government securities in the present money market may be compared with the role of brokers' loans in the 1920's and earlier. Until the 1930's, call loans to brokers and dealers in securities provided the principal medium for the temporary investment of liquid funds. These funds were mostly those of banks, particularly of out-of-town correspondents deposited with New York banks or put into call loans by the New York banks for the account of correspondents. They included directly or indirectly a large portion of the secondary reserves of banks. In the 1920's, however, funds of corporations and others were increasingly used in the market, particularly after restrictions were placed on bank credit expansion.

That money market was highly unstable, compared with the present money market. This was true for a number of reasons. One was that the demand for brokers' loans fluctuated with variations in stock market speculation. The supply of funds in turn was affected by other demands for credit—banks put surplus funds into call loans and withdrew them when other demands appeared. Thus supply and demand were likely to move in opposite directions. This was in a way a corrective force in the economy, but it resulted in wide and often erratic interest rate fluctuations.

A most important difference between brokers' loans and Government securities as basic money market media lay in the role of the Federal Reserve. It was a basic tenet of Federal Reserve policy not to deal in stock market credit, and any participation by the Federal Reserve in the money market during the 1920's was effected principally through member bank borrowing, a restrictive approach, or through occasional and limited open-market operations. This is in contrast to active participation by the Federal Reserve in the Government securities markets, which has imparted much greater stability to money rates and permitted a closer contact but may diminish the effectiveness of corrective elements existing in the market mechanism.

The influence of stock market credit on the general credit situation reached overwhelming proportions in the late 1920's and was a highly unstabilizing influence. The severe reaction that followed and the subsequent imposition of high margin requirements on security loans advanced by brokers and banks and other restrictions on stock markets, together with the development of Government securities, eliminated such credit as an important influence in the money market.

PRINCIPAL POSTWAR MONEY MARKET DEVELOPMENTS

As a background for an understanding of current money trends, it is useful to review the principal developments of the postwar period. The continuing problem was the

Table 2. Treasury Debt Retirement, March 1946 to February 1949, Inclusive
In Billions of Dollars

Treasury Operations	Mar 1946 to Oct 1947	Oct 1947 to Feb 1949	Mar 1946 to Feb 1949
Cash Retirement of Marketable Securities held by:			
Federal Reserve banks	6.9	6.6	13.5
Commercial banks	16.0	1.2	17.2
Others	9.6	2.6	12.2
Total	32.5	10.4	42.9
Other debt operations, net receipts	2.9	0.8	3.7
Change in Treasury Balances at:			
Federal Reserve banks	+0.6	. .	+0.6
Other, mostly coml. banks	-24.2	+1.2	-23.0
Net cash surplus	5.9	10.8	16.7

tendency toward monetization of the public debt which resulted from the growing private demands for loans in excess of the current supply of savings, the existence of large holdings of Government securities, and the Federal Reserve policy of supporting the market for Government securities in order to reduce or prevent declines in their prices.

This combination of factors tended to stimulate inflationary developments and presented a constant dilemma. The principal aim of the support policy was to discourage widespread selling of Government securities because of fear of future price declines and also to make investors willing to buy at existing prices. Such a policy was believed to be justified on the grounds that one of the important essentials for the prevention of inflation is the investment of a portion of savings in Government securities. To give investors assurance that they might at any time liquidate their securities at will without loss and at the same time discourage them from doing so presented a continuing dilemma to the Federal Reserve and the Treasury throughout the postwar period. The problem took different forms at various times during the period.

Playing the Pattern of Rates. Because of the wide spread in the term structure of interest rates, which developed during the depression and was rigidly maintained during World War II and less rigidly in the postwar period, there was a recurrent tendency on the part of banks and others to sell short-term low-yielding securities and purchase longer-term high-yielding Government securities or acquire other assets. Belief that long-term bond prices would be prevented from declining encouraged this tendency because higher yields could be obtained without risk of capital loss. The Federal Reserve bought the short-term securities to prevent interest rates from rising and thereby created additional bank reserves, which supplied the basis for private credit expansion. This practice was most pronounced from 1945 until the latter part of 1947 and again in the first half of 1950.

Debt Retirement Program. The most important anti-inflationary influence in the postwar period was the use of Treasury surplus funds to retire public debt. In particular, the policy of retiring securities held by the Federal Reserve absorbed reserve funds and put the banks under pressure. More than $40 billion of securities were retired in the three years following the end of the Victory Loan in February 1946, including $13 billion held by the Federal Reserve and $17 billion held by commercial banks. Over $20 billion of these, however, represented excess funds obtained in the Victory Loan and retired from excess Treasury deposits at banks, which never entered the money stream. The anti-inflationary effect of the retirements of Federal Reserve holdings was in large part offset by Federal Reserve support purchases of securities in the market.

Selling of Long-Term Bonds. In the latter part of 1947, the growing demand for long-term funds, reflected in an increasing supply of corporate and municipal securities and mortgages, led large institutional investors to sell Government bonds to acquire these other assets in amounts exceeding the flow of new savings. A slight rise in short-term rates that had been permitted to occur in the middle of 1947 reduced somewhat the profit to be obtained from shifting from short-term to long-term securities and may also have cast some doubt on the future of interest rates. In accordance with its established support policy, the Federal Reserve purchased Government bonds freely at prices slightly above par. Some $10 billion of bonds were thus bought by the Federal Reserve in a 12-month period. Although partly offset by sales of short-term issues, these purchases nevertheless contributed greatly to the availability of funds.

Increases in Reserve Requirements. Some of the additional reserves made available by Federal Reserve purchases of securities and the gold inflow were absorbed by increases in member bank reserve requirements made during 1948. These actions required banks to hold some $3 billion more reserves. It may be said that the higher reserve requirements made it necessary for banks to sell securities to the Federal Reserve. In any event, they reduced somewhat the liquidity of banks and exercised a restraining influence. Higher reserve requirements also lowered slightly the multiple expansion ratio of credit on the basis of a given amount of reserves.

NET RESULTS SUMMARIZED

Net results of the various developments affecting the size and nature of the Federal debt, the volume of Reserve Bank holdings of Government securities, and bank reserves in the period from early 1946 to early 1949 are summarized in the accompanying tables. Data are shown separately for two periods: (1) the period of pegged short-term rates and of Federal Reserve purchases of short-term securities until the fall of 1947, and (2) the subsequent period of purchases of bonds and sales of short-term securities by the Federal Reserve. In the first period, bank reserves were increased by the gold inflow, which was only partly offset by a decrease in Federal Reserve holdings of Government securities, as System purchases of short-term securities counterbalanced a large part of the effect of cash retirements of maturing issues. Reserves increased by $1.4 billion and supplied the basis for an expansion in privately owned deposits at banks of about $10 billion. This growth in deposits resulted principally from an increase in bank loans and the gold inflow. Commercial bank holdings of Government securities were decreased by some $22 billion in this period as a result of Treasury cash retirements from its balances and bank sales of securities to the Federal Reserve to replenish and build up reserves, but these operations had little net effect on the money supply.

In the second period, the continued gold inflow and Federal Reserve purchases of bonds supplied reserves, while further cash retirement of maturing securities held by the Federal Reserve, together with Federal Reserve sales of short-term securities and increases in reserve requirements, absorbed them. There was a slight decrease in reserves available for use by banks, after allowing for the increase in reserve requirements. The private money supply showed little change. Banks continued to increase their loans, largely on the basis of funds obtained from sales of Treasury bonds.

Continued expansion in bank credit and the money supply, though moderate in 1948, and a steady increase in the rate of use of the large money supply built up during the war, together with various nonmonetary factors, made possible the inflationary developments of the early postwar years. It is, of course, not possible to know to what extent these developments would have been restrained if other policies had been followed. The task at the time was to effect as smooth as possible a transition from a wartime economy to one of peace, and it was generally believed that too vigorous restraints might be more harmful than helpful.

Readjustment of 1949. Abatement of inflationary pressures in 1949, resulting largely from inventory adjustments and reduced consumer buying of some goods, relieved money market pressures. Credit demands slackened, and available savings absorbed long-term Government bonds at rising prices. The Federal Reserve was able to sell some bonds. Reserve requirements were reduced, and medium- and short-term interest rates declined. At midyear the Federal Reserve authorities issued a statement indicating their intention to permit a greater degree of flexibility in interest rates in response to market forces.

Toward the end of 1949, economic expansion was resumed, credit demands began to increase, and money markets showed some tightening. These tendencies became more pronounced during the first half of 1950. The Federal Reserve began to follow more restrictive policies. System holdings of Government securities were reduced slightly, and money rates rose somewhat.

REARMAMENT INFLATION

Outbreak of hostilities in Korea and the inauguration of the rearmament program brought about sharp changes in the monetary situation. Immediately there was a tremendous increase in private spending which was based in part on credit expansion, in part on increased use of available funds, and in part on the resulting growth in incomes. The credit expansion was made possible by a resumption of sales of securities to the Federal Reserve.

The first task in restraining the resulting inflationary developments was to curb private spending, which was largely in anticipation of possible future shortages. Government spending increased slowly and even up to the present has been matched by receipts. Hence it has not been a currently inflationary factor on balance, although the rearmament program provided the basic impetus.

In August 1950 the Federal Reserve authorities announced that they were prepared to use all available powers to restrain further inflationary credit expansion consistent with the policy of maintaining orderly conditions in the market for Government securities. Discount rates were raised at the Federal Reserve banks, and it was contemplated that open-market operations would be conducted with a view to reducing System purchases of Government securities, thus curtailing the availability of bank reserves.

The Federal Reserve continued, however, to support Treasury refunding operations, which at first were attempted on the basis of the previously prevailing rate structure. Federal Reserve support of the long-term bond

Table 3. Changes in Federal Reserve Holdings of Government Securities or Bank Reserves March 1946 to February 1949, Inclusive In Billions of Dollars

	Mar 1946 to Oct 1947	Oct 1947 to Feb 1949	Mar 1946 to Feb 1949
Federal Reserve holdings of			
Govt. securities, total	-0.8	+0.2	- 0.6
Retired for cash	-6.9	-6.6	-13.5
Net market transactions, total	+6.1	+6.8	+12.9
Treasury bills	+1.8	-4.7	- 2.9
Certificates & notes	+4.4	+2.0	+ 6.4
Bonds	*	+9.5	+ 9.5
	Sign indicates effect on reserves.		
Other Factors Affecting Bank Reserves			
Gold stock & foreign balances at Federal Reserve banks†	+3.1	+1.7	+ 4.8
Currency in circulation	-0.6	+1.0	+ 0.4
Other factors, net‡	-0.3	-0.2	- 0.5
Member bank reserve balances, total	+1.4	+2.7	+ 4.1
Excess	-0.2	-0.1	- 0.2
Required	+1.6	+2.7	+ 4.3
Change in requirements	. . .	+3.0	+ 3.0
Growth in deposits	+1.6	-0.3	+ 1.3

Note: Detail may not add to totals because of rounding.
*Less than $50 million.
†Includes release of Exchange Stabilization Fund gold in January 1947.
‡Includes Treasury operations, Reserve bank credit other than holdings of Government securities, nonmember deposits other than foreign and miscellaneous Federal Reserve assets and liabilities.

market also was resumed later. In carrying out these policies, large amounts of Government securities were acquired by the System. Insurance companies and other institutional investors became large sellers of bonds in order to obtain funds to acquire mortgages and business securities. In an attempt to offset the effect of these purchases in expanding reserves, the System endeavored to sell other issues in the market. However, in view of the tremendous demand for loans then developing, it was difficult to accomplish this effect. As a result, banks obtained additional reserves which provided the basis for a very large bank loan expansion. Short-term interest rates increased slightly while bond prices showed little change.

In January an increase in member bank reserve requirements absorbed some of the additional reserves that had been supplied, as well as reserves being made available by a seasonal return flow of currency. After this action the authority to increase reserve requirements was almost completely utilized. In any event it is a difficult power to use at a time when banks do not have excess reserves, because it necessitates sales of Government securities by banks in order to obtain the additional reserves. This places an additional strain on the securities market and requires some Federal Reserve purchases. It is difficult to limit purchases to the minimum amounts needed to help the transition to higher requirements without providing the basis for more credit.

Selective credit regulations were instituted in the fields of consumer and real estate credit, and public statements were issued encouraging banks and other lenders to limit credit extensions as much as possible to essential purposes.

INCREASE IN BANK CREDIT

Notwithstanding the restraints imposed, in the first nine months after the outbreak of the Korean conflict, there was a tremendous increase in bank credit and the money supply. Demands for goods were in excess of available supplies, and prices rose sharply. Commercial bank loans and holdings of securities other than U. S. increased by $11 billion, while their deposits increased by $4 billion. To meet the private credit demand and the increase in their reserve requirements, they sold $8 billion of Government securities. The principal nonbank savings institutions increased their loans and other securities by $7 billion and sold $3 billion of Government securities to cover the excess over $4 billion of new funds. Individuals also sold and redeemed Government securities on balance.

The Government securities thus sold were acquired to some extent by Government agencies and also by corporations that were building up liquid asset holdings, and there was a small net decline in the public debt. The Federal Reserve, as shown in the tables, increased its holdings by about $5 billion, representing very large acquisitions of certificates and notes during the refunding operations and substantial purchases of bonds in the latter part of the period, offset in part by sales of Treasury bills. This increase, together with other factors affecting reserve funds, provided the basis for a one-fourth billion dollar outflow of gold, an increase of $2 billion in reserve requirements, and a further addition of about $1 billion to member bank reserves. This last billion supplied the basis for an expansion in total bank deposits, including Treasury deposits of over $5 billion.

TREASURY–FEDERAL RESERVE ACCORD

On March 4, 1951, after continued heavy investor selling of Government securities, particularly long-term bonds, the Treasury and the Federal Reserve announced that they had reached an accord with respect to debt management and monetary policies to be pursued in furthering their common purpose to assure successful financing of the Government's requirements and at the same time to minimize further monetization of the public debt. The principal aspects of that accord which have now become known may be summarized as follows:

1. An important measure adopted in connection with the accord was the concurrent announcement by the Treasury of the offer to exchange for the longest 2½% restricted bonds the new 2¾% nonmarketable bonds with limited redeemability. This exchange gave the holders a higher return in exchange for reduced marketability and had the effect of removing the bulk of the bonds overhanging the market and of reducing the volume of selling by investors.

2. The next important aspect of the accord was first the reduction and subsequently the discontinuance of Federal Reserve support purchases of long-term Treasury bonds. Large amounts of long-term bonds were bought during the period of the conversion by the Federal Reserve and the Treasury, but in declining amounts and at declining prices. After the conversion was over, Federal Reserve purchases were curtailed, and since June the Federal Reserve has bought practically no long-term bonds in the market. Prices declined moderately until June and have fluctuated around 96 and 97 for the long-term bonds. There was no serious break in prices, but a somewhat lower level of prices determined entirely by market forces has been reached and maintained.

Various reasons may be given as to why the selling of bonds stopped, but the fact is that the holders of those bonds have not forced them on the market. There are probably some who would like to, but with a freely fluctuating market they know that, if they try to sell too many at one time, the price will go down. By waiting a little while they might get a little better price. It is a different situation from what existed when they knew they could sell any amount at any time at a fixed price. Now they know that, if they do try to force bonds on the market, the price may go down; if they wait and feed them out gradually as the demand arises, they might be able to get a better price. The result is: They either do not sell or they find other buyers; in either event there is no creation of additional money or additional bank reserves by Federal Reserve purchases.

3. Probably the most important aspect of the Treasury–Federal Reserve accord was the reduction in Federal Reserve purchases of short-term Government securities at fixed prices—in fact, the almost complete discontinuance of System purchases of short-term securities. The result is that the short-term Government securities market has also been largely on its own without Federal Reserve sup-

port. Any one who wants to dispose of short-term securities for liquidity reasons has to find buyers in the market. That has resulted in some fluctuation in the interest rates on Government securities. Treasury bills have ranged from about 1.40% per year to as high as 1.90%, but generally have remained below the discount rate, or around 1.60 to 1.70. The rate on one-year certificates has ranged somewhat from around the discount rate to as high as 2% or thereabouts. The important thing is that those rates have been determined by the market, not by the Federal Reserve, except for the limitation exerted indirectly by the discount rate and except for some support at times of Treasury refunding and aid in periods of seasonal pressure, as will be mentioned later.

One of the most important results of the restoration of flexibility in the short-term market is that the discount rate of 1¾% has been made more effective. When banks want additional reserves, they can obtain them by borrowing from the Federal Reserve rather than by selling Treasury bills or securities. They have a choice of borrowing or of selling bills if they can find buyers in the market. Such a sale does not create additional reserves—it simply transfers reserves from one bank to another. Even when the bill rate is below the discount rate, banks may find it more profitable to borrow at 1¾ than to sell bills, say, at 1.68 and then, when they try to buy them back, find that the rate has gone down, the price has gone up, and they have to buy them back at, say, 1.40. The difference between the price at which they sold and the price at which they buy back is enough to justify their borrowing at the discount rate for a few days rather than shift in and out of the bill market in that way.

When banks borrow from the Federal Reserve, they are under pressure to liquidate the loan as soon as they get funds. If they had sold bills to the Federal Reserve, when they get new funds they could go out and try to find other uses. In that way the practice of borrowing from the Federal Reserve is a more restrictive means of supplying reserves to the market than are open market operations. One of the most important purposes of the Treasury–Federal Reserve accord was to create a situation where the use of member bank borrowing could be relied on more effectively and where the discount rate would be made effective. This is a more restrictive means of supplying reserves and results in market rates fluctuating more or less around the discount rate.

4. The final aspect of the accord was more or less a modification of the others; it is that the Federal Reserve would provide any needed support to help the Treasury in its large refunding and new financing operations, which it faced during the remainder of the year. When the Treasury announces an issue of securities in exchange for a maturing issue, there are generally certain holders who want to redeem the maturing securities for cash. There are others, however, who are willing to buy the rights, the maturing issues, at current prices in order to get the new issues. As a result, there is a lot of shifting in the market. In case the demand is not sufficient to absorb the amounts offered by issues wanting cash, the Federal Reserve, by purchasing the excess securities, can assure a larger exchange and a smaller cash redemption. That policy required the purchase of a very substantial amount of securities last June—about a billion dollars—and a similar amount in September. In December purchases to support the refund-

Table 4. Changes in Federal Reserve Holdings of Government Securities and Member Bank Reserves with Relevant Factors
Based on Monthly Averages of Daily Figures, in Billions of Dollars

	July 1950 to Apr 1951*	May 1951 to Feb 1952*
Federal Reserve bank credit	+5.7	-0.2
U.S. Government securities	+5.2	-0.4
Treasury bills	-2.5	-1.5
Certificates & notes	+6.9	+2.1
Bonds	+0.8	-1.1
Discounts & advances	+0.1	+0.2
Float	+0.4	+0.1
	Sign indicates effect on reserves.	
Other Factors Affecting Bank Reserves		
Gold stock, foreign balances at Federal Reserve banks	-2.2	+1.6
Currency in circulation	-0.2	-1.2
Other factors, net†	-0.2	+0.5
Member bank reserve balances, total	+3.1	+0.7
Excess	+0.1	-0.2
Required	+3.1	+0.8
Change in requirements	+2.0	. . .
Growth in deposits	+1.1	+0.8

Note: Details may not add to totals because of rounding.
*Dates are inclusive.
†Includes nonmember deposits at Federal Reserve Banks other than foreign and miscellaneous Federal Reserve assets and liabilities.

ing operations were not needed, but subsequently large purchases were made for temporary seasonal purposes.

The System, however, has been able at other times to sell securities, and on balance Federal Reserve holdings of securities have actually decreased since last April. As a result of operations under the accord, monetization of the public debt has virtually ceased. There has been a resumption of member bank borrowing, more flexible short-term interest rates, and an unpegged bond market which has reflected the operation of market forces. Treasury financing has been effected largely through the short market, although a new issue of medium-term bonds has been recently exchanged for a maturing issue. The Treasury has been able to obtain new funds needed through sales of bills, some of which have been acquired by nonbank holders and some by banks. Bank loan expansion has slackened considerably. Selling of Government securities by institutional investors has been reduced, and this group of investors as a whole has brought their new credit extensions and commitments more nearly in line with new funds becoming available to them.

With cessation of large-scale Federal Reserve purchases of Government securities, expansion in bank reserves has been slight, as shown in Table 4. Required reserves have increased by considerably less than a billion dollars, reflecting a growth in deposits, which has occurred to a greater extent than usual in time deposits and at banks outside leading cities. Large amounts of reserve funds have been supplied by an inflow of gold, but these have been partly offset by a substantial growth in currency in circulation which exerted a drain on reserves. Excess reserves existing last April have been drawn down somewhat, and member bank borrowings at the Federal Reserve have increased. These borrowings have fluctuated at times from a relatively low figure to comparatively high figures of over a billion dollars.

Private credit expansion has been much smaller than in the preceding period, reflecting the slackened growth of inventories, as well as restraint on the part of banks. A fairly substantial increase in the total amount of bank credit, however, has continued. Instead of selling Government securities to make loans, banks have recently been buying Government securities. To some extent that change reflects the fact that banks had funds in excess of loan demands. This is particularly true of some of the smaller city and country banks, which have shown a larger growth in deposits than in loans. It reflects to some extent the effect of higher rates on short-term Government securities, which makes banks hold Government securities rather than try to find other uses for their funds. To some extent it reflects a desire to keep in fairly liquid position. Many banks now have a loan-capital ratio as high as they think desirable and hence are willing to hold Government securities rather than to try to find additional loans.

The net result of these various factors has been a continued substantial growth in the money supply. The total volume of bank deposits and currency held by individuals and businesses increased by about $9 billion in the year ending February 1952, compared with $6 billion in the preceding 12-month period. Monetary expansion has been larger, even though there was less private credit expansion. The loans and investments of commercial banks and mutual savings banks, other than U. S. Government securities, increased by a little over $4 billion in the 12 months ending last February, compared with $11 billion in the preceding 12 months. The difference is due in part to the fact that the Government has come back into the market as a borrower and the banks have bought some Government securities, whereas in the previous year they were selling Government securities in order to get the funds for making loans. The reversal in the gold movement from an outflow to an inflow added to the money supply instead of subtracting from it.

Accompanying this growth in the money supply, however, has been a decline in the turnover of bank deposits. Whereas in 1950 and in the early part of 1951 the turnover of bank deposits increased quite considerably, since the early part of 1951 there has been a decline. People have been holding more money—they want more liquidity—but they have been using that money less actively.

PROBLEMS FOR 1952

Factors that may influence the money and capital markets in 1952 can be separated into four different groups:

1. The development of a deficit in 1952 and the need for Treasury borrowing, which has not existed to any appreciable extent in the past.

2. The continuing demands for private borrowing, especially for large capital expenditures.

On the supply side, the large volume of personal savings that have been accumulated in cash and the possibility of a continuance of a high rate of current saving.

4. Measures that may be adopted to bring these savings into financing the Government's deficit and the essential capital needs, and to keep them from being used for financing activities that are less essential and may be more inflationary.

Savings should continue to be large in 1952. Those funds will go partly through institutional hands, and it looks as though the institutions could meet reasonable demands for mortgages and for business credits without having to sell Government securities on balance this year as they have in the past. They might even be induced to buy some on balance before the end of the year.

The big question is what the individuals will do with their tremendous volume of personal savings. Will they want to continue to build up their cash balances? It looks as though a very large part of the increase in cash balances last year was in the hands of individuals or unincorporated businesses. Corporations do not seem to have shown much of an increase in their cash holdings and, in fact, appear to have relatively tight liquidity positions. Whether the cash balances increase much more will also depend on how much the banks step in and increase their credit. If individuals will buy the Government securities, banks won't have to buy them.

The problem this year, therefore, is to a large extent a problem of debt management, as well as of continued restraint on private credit expansion. To the extent that institutional and other investors can be attracted into Government securities, they may be discouraged from trying to find other outlets; this would keep the capital markets under some pressure so that private borrowers would be discouraged from undue expansion.

In conclusion, it should be kept in mind that monetary policy recently has been largely neutral. It has not been a tight money policy—nor an easy money policy. Development of tightness or easiness has depended on the demands for credit. Federal Reserve policy has been to limit the availability of reserves but not necessarily to reduce it. If the demands for credit grow, tightness develops in the money market and funds are harder to get. Inflationary tendencies may thus be restrained. If there is no inflationary tendency, however, with no great demands for expansion of credit or for investment programs in excess of available savings, money markets are not too tight. In the absence of inflationary pressures, they will be relatively easy and there will also be no inflation.

1951
at
Armco

A report
from
Armco Steel Corporation

	1951	1950
Net Sales and Other Revenues	$541,252,817	$444,298,724
Income Before Federal Income and Excess Profits Taxes	104,145,779	95,173,733
Provision for Federal Income and Excess Profits Taxes	69,141,292	48,173,228
Net Earnings	35,004,487	47,000,505
Net Earnings per Share of Common Stock	6.69*	11.76*
Preferred Dividends	139,570	880,609
Common Dividends	14,758,593	15,701,546
Cash Dividends per Share of Common Stock	3.00	4.00
Earnings Retained in the Business	20,106,324	30,418,350
Book Value per Share of Common Stock at Year-end	53.65	53.08

*1951 based on 5,213,530 shares outstanding at December 31. 1950 based on 3,922,172 shares—the average number of shares outstanding during that year.

FINANCIAL POSITION

	1951	1950
Assets		
Total Current Assets	$189,779,933	$186,904,543
Investments—Net	23,796,782	16,428,663
Property, Plant and Equipment—Net	197,201,341	164,043,422
Prepaid Expenses	5,236,462	4,743,891
Total	$416,014,518	$372,120,519
Liabilities and Capital		
Total Current Liabilities	$ 70,766,626	$ 77,702,484
Long-Term Debt (less current portion)	59,096,995	60,920,000
Operating Reserves	6,459,794	5,473,641
Net Worth	279,691,103	228,024,394
Total	$416,014,518	$372,120,519

A free copy of our complete 1951 Annual Report, which contains many interesting facts and figures concerning Armco Steel Corporation, will be sent to you on request.

ARMCO STEEL CORPORATION

Middletown, Ohio, with Plants and Sales Offices from Coast to Coast
The Armco International Corporation, World-Wide

ARMCO

GOODYEAR

DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

$1.25 per share for the second quarter of 1952 upon the $5 Preferred Stock, payable June 16, 1952 to stockholders of record at the close of business May 15, 1952.

75 cents per share upon the Common Stock, payable June 16, 1952 to stockholders of record at the close of business May 15, 1952.

The Goodyear Tire & Rubber Co.
By W. D. Shilts, *Secretary*
Akron, Ohio, March 31, 1952

The Greatest Name in Rubber

When You Change Your Address

Please notify us promptly of your old as well as your new location. Otherwise an issue may miss you. (Members of The New York Society of Security Analysts, please notify the Secretary of the Society.)

If your copy is addressed BEFORE your notice reaches us, it will be necessary for you to send us forwarding postage.

Subscription Department
Room 908

THE ANALYSTS JOURNAL
20 Broad Street, New York 5, N.Y.

These are our customers...

IF every person in the United States bought just one bottled beverage or other glass-packaged product per day, the number would exceed 150,000,000. Actually the daily sale of glass-packaged products is far higher than that. So you can see that the number of closures needed to seal such products runs into really astronomical figures in the course of a year.

Crown is an important supplier in this highly important phase of packaging. It makes the caps that seal an impressive list of the leading brands of soft drinks, beer, cosmetics, drugs and household products. It supplies the Dacro metal milk cap to hundreds of the nation's dairies. But Crown's service to these broad and stable markets does not end here. Its machinery division produces equipment which fills and caps soft drinks, beer, food products and milk. And its can division, the Crown Can Company, makes cans in wide variety for those who use this type of packaging.

Although Crown does not sell directly to consumers, it is plain to see that its products are used in the great majority of households . . . that people everywhere are Crown's real customers.

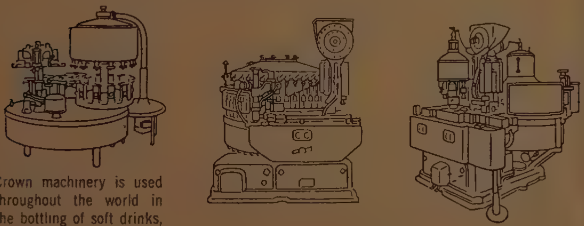
CROWN CORK & SEAL COMPANY

Originator of the bottle cap and world's largest maker of metal closures

BALTIMORE 3, MD.

Subsidiaries: CROWN CAN COMPANY, Philadelphia, Pa.
WESTERN CROWN CORK & SEAL CORPORATION, San Francisco, Cal.
CROWN CORK SPECIALTY CORPORATION, St. Louis, Mo.
CROWN CORK INTERNATIONAL CORPORATION, Jersey City, N. J.

1892—60 Years of Progress—**1952**



Crown machinery is used throughout the world in the bottling of soft drinks, beer and milk

Bottle caps for beverages . . . .

"Dacro" metal caps for milk bottles

Metal closures for glass-packed foods and household products . . . .

Tin cans for food and many other products . . . .

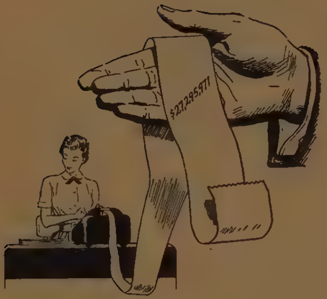
Cans for oil, paint, chemicals, beer, etc. Also "Spra-tainer," the seamless propulsion can for a large variety of products . . . .

Metal closures for cosmetics and toiletries . . . .

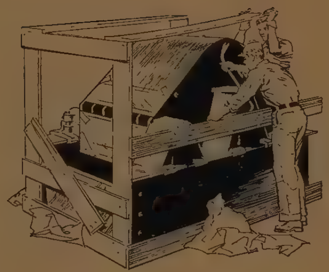
Mason caps, jars and jar rings for home canning. Also "Freeztainer," the plastic container for deep freeze and refrigerator food storage . . . .

CROWN ENGAGES EXTENSIVELY IN DEFENSE WORK AND IS NOW USING A SUBSTANTIAL PART OF ITS MACHINERY MANUFACTURING FACILITIES FOR THIS PURPOSE.

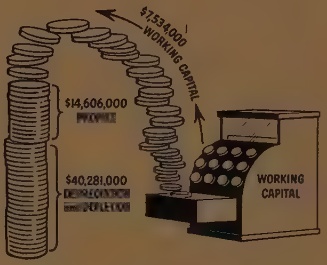
How you can make a profit of $27,295,971 and go in the hole!



1. According to our accountants, Union Oil made a net profit during 1951 of $27,295,971. If this bookkeeping profit represented the company's actual "take" our 38,347 common share owners would be overjoyed. But after paying dividends of $11,444,259, we actually ended up on the minus side of the ledger to the sum of $7,534,000 in working capital.

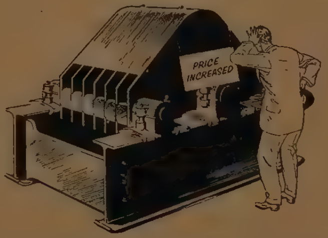


2. Here's the reason: In 1951 we had to spend $62,421,000 for replacement of worn-out equipment and oil properties and to enlarge our facilities to meet the greatly increased demand in the West for petroleum products. This money came from three sources.


$7,534,000 WORKING CAPITAL
$14,606,000 PROFITS
$40,281,000 DEPRECIATION and DEPLETION
WORKING CAPITAL

3. $40,281,000 of it came from the "depreciation and depletion" allowance. (The sums a corporation sets aside each year to replace equipment and oil properties when they're worn out.) $14,606,000 of it was made up out of profits. $7,534,000 of it was taken from working capital—the "checking account" a business keeps on hand for day-to-day expenditures.

4. We obviously can't keep dipping into our working capital indefinitely and stay in business. For if we do we'll eventually run out of money to carry our receivables, inventories, etc., and pay our daily operating expenses. That's why something has to be done about a situation that affects not only us but every U. S. corporation.



5. Briefly it is this: The sums the tax collector allows you to set aside for depreciation and depletion are based on what things cost *when you acquired them*—not what it costs to *replace them today.* Since these depreciation funds aren't adequate to replace equipment and oil properties at today's prices, we have to make up the difference somewhere—or go out of business.

6. On top of this, extremely heavy taxes on corporate earnings make it almost impossible to retain enough profits to make up the difference. So we have to take it from working capital. That's why we must have a tax policy that will permit corporations to earn enough for the replacement and expansion necessary to maintain the productivity and economic growth of the nation.

UNION OIL COMPANY

OF CALIFORNIA

INCORPORATED IN CALIFORNIA, OCTOBER 17, 1890

This series, sponsored by the people of Union Oil Company, is dedicated to a discussion of how and why American business functions. We hope you'll feel free to send in any suggestions or criticisms you have to offer. Write: The President, Union Oil Company, Union Oil Building, Los Angeles 17, Calif.

Manufacturers of Royal Triton, the amazing purple motor oil

Unsophisticated Investments Against Inflation

B. BARRET GRIFFITH

IN TAKING STOCK of the general investment situation for the past year, we realize that 1952 ended with many particularly interesting implications for investors. The customary first-quarter chore of inventory taking which first looked rather drab and uninteresting became fascinating after surface factors were noted and indications from them were further investigated. A brief review of the investigative course that I followed may interest you. Even though you may not agree with my conclusions, there may be some factors turned up in the inventory taking that will whet your interest to the point of further profitable study.

GENERAL RESULTS NOT IMPRESSIVE

On the surface, general results in the stock market during 1951 were not particularly impressive. General stock market averages recorded little change during the year although they accomplished an advance of about 13%. The best job during the year was done by fertilizers, automobile tires, Canadian golds, oil, radiobroadcasting, electronics, finance, and ethical drugs. All did very well with advances varying between 30% and somewhat above 40%. Issues representing capital goods turned in better performances than those representing consumer lines.

Turning to longer-term accomplishments to find the leading and lagging industry groups during the last several years, we find, as set forth in the accompanying table, those groups of stocks that at the year end had advanced above 1946 levels and those that were still below the highs they established in 1946.

Below 1946	*Above 1946*
Amusement	Automobile
Auto equipment	Aviation (mfg.)
Aviation (trans.)	Chemical
Bank stocks	Copper
Building equipment	Drug
Communications	Electric equipment
Financing companies	Farm equipment
Food products	Insurance stocks
Gold	Machinery
Grocery chains	Mining & smelting
Household products	Oil
Mail order	Paper
Meat packing	Radio
Merchandising	Rail
Office equipment	Rayon
Rail equipment	Rubber & tires
Soft drinks	Steel
Sugar	Utility
Textile	
Tobacco	

On the surface, there seems to be nothing truly sensational in either the general stock market's 1951 performance or in the excellent moves by various industry groups. But, when I looked at the record turned in by individual stocks, I was very much impressed by the advances in several of them. Generally, it seemed that *oil* was a magic word, followed close behind by *rare metals.* Land companies, rails, and paper stocks, which were either romantically or really associated with oil or rare metals, advanced substantially. It seemed worth while to follow the speculative trail laid by several individual stocks to see where that trail led, with the hope that it would point out either groups or particular securities in the beginnings of their speculative appeal for the rise.

BOND PRICES DECLINED

Warnings that there might be no more general speculative enthusiasm for a worth-while rise were noted and allowed to dampen overenthusiasm. Bond prices declined from early 1951 to an important degree in many instances. Long-term Government 2½% bonds eligible for individual investors declined from 100 23/32's to below 96. Higher taxes, operating costs, and some reluctance on the part of consumers to pay high prices for goods combined to lower corporate earnings and balance sheet strength. Declining commodity prices, except at the consumer level, gave some warning of deflation taking the center of the stage away from inflation. But offsetting, at least to a degree, these warnings that there might be no further speculation for the rise were the two inflationary factors—increasing average hourly wages and total deposits and currency. Like two strong and healthy horses, they continued to pull the wagon of monetary factors up the inflationary hill. The market action of bonds, stocks, various industry groups, and individual issues during 1951 seemed to reflect the existence and recognition of all these varied factors, deflationary and inflationary.

SPECTACULAR ADVANCE OF LAND COMPANIES

Noting the spectacular advance in shares of land companies, I was reminded of what had been occurring in land, including cattle ranches, since the end of World War II. There seemed to be indications of a repeat performance of the land speculation taking place in oil during 1951. Further review and an attempt at drawing parallelisms between the action of this handful of listed stocks and recent past speculative performance made me recall investment or speculative experiences of which I had knowledge.

They included instances of investors buying cattle ranches, almost sight unseen, as hedges against inflation and as a means of fleeing from oppressive taxes. Speculation was boomed in ranches by inflationary fears and high taxes. The early venturers into the ranching business were able to profit from selling their purchases to later entrants of this speculative arena. Ranching was called a profitable, booming, and easy-money business. Successful speculators in cattle brought the easy-money name to the industry. Recently, however, the fever of trading in ranches and cattle has broken several degrees. The latecomers find themselves faced with the problem of operating the ranches and raising cattle for the ultimate market instead of living in the excitement of trading in ranch land and livestock. Insufficient time has elapsed to know profit or loss results of ranch and cattle speculators who have been forced by events actually to operate their purchases. One cannot envy the job of the speculator uninitiated in the livestock industry having to try to squeeze profits from a cattle ranch which may have cost him $700 or $800 per cow unit. So much for the speculator who has become stuck with a ranch operation. What has become of the successful venturer who got out early? From the 1951 record he and others may have jumped into the oil business.

DRIVING FORCES BEHIND SPECULATION

Fear of inflation and flight from taxes have been the driving forces behind recent speculation in oil ventures. As with ranching, the oil venturer is no more interested in entering the oil-producing industry by buying listed oil company stocks than was the venturer in land interested in buying listed equities in land companies. Although superficially today's speculator in oil, driven by fears of inflation and taxes, believes himself to be interested in getting in on the ground floor in oil production, he is probably really interested in buying an oil venture cheap and selling it dear. Many speculators and even heretofore conservative investors thus entering the oil picture are not clearly conscious of either enjoying or suffering from high speculative fever like those who went into ranches, sight unseen. Their fever will have to subside and the cycle of selling yesterday's oil-venture purchase today be broken before they will awaken to the fact that they are in the business of trying to produce oil instead of trying to buy a venture cheap and sell it dear. But is there a point or worth-while conclusion to be drawn from this seeming digression from taking an inventory of the current investment situation? That was the question which came to mind at exactly this point. The answer was immediately obvious.

Although there was no evidence of dangerous speculation in the securities markets during 1951, there has been considerable evidence of important, and in my opinion, dangerous speculation in land, mineral rights, and oil ventures. Smaller in scale, but nevertheless indicating a possible trend, has been the lottery arrangement to explore for oil and minerals on Federal land in the state of New Mexico. The broad and well-blazed track of speculation in oil during recent months turned my interest to Canada and the recent happenings in the securities markets in Toronto.

Parallel to the experience on the New York Stock Exchange, Canadian oils and mining companies did very well in 1951. Performances in Toronto were more spectacular than in New York. Different from New York, Canadian gold mining shares turned in good, although not spectacular, performances. Probably of at least equal importance to noting action of Canadian stock prices was the advance in the Canadian dollar from around 95 cents last fall to 100 cents in terms of the American dollar. And, concurrently with noting the appreciation of the Canadian dollar, I became particularly aware of the weakness in the British pound and French franc. Again, what are the implications and possible conclusions from such digression from both the fundamental and technical studies of the New York Stock Exchange? I wish I could definitely answer those questions. But the best I can do is express a feeling which was born from either purposeful or accidental digression from the usual year-end investment inventory taking.

Recent speculation in land and ranches and current speculation in oil ventures and mineral exploration, spurred on by fear of inflation and taxes, refutes the easy conclusion, from only studying the action of listed securities, that important and dangerous speculation has not occurred. Speculation has occurred and is occurring, but it is in evidence outside the securities exchanges. If the premise is correct that the motivating force of our recent past and current speculation is from inflationary and tax fears, then one might conclude that a boy's-sized flight from the American dollar has been in progress. However, there are enough warning signs out in addition to the inherent danger of any high speculative fever to deter one from jumping into a speculative pot which is already boiling. Considering all things at this point, my attention was arrested by gold. "Good as gold" and "worth its weight in gold" stirred my interest enough for me to look behind the romantic appeal and into the historical and economic background of gold. At this later date, you must realize that the review of my analysis cannot be without prejudice.

GOLD AN EXCELLENT MEDIUM

Historically, gold has been an excellent medium for investment during trying times. Reviewing changes in the price of gold against historical events during the last six hundred years in England warrants conclusion that investment in gold offered protection against the effects of wars, plagues, the extravagances of James I, the issuance of paper money, and the frightening marches of Napoleon and Hitler. Owning the commodity, gold, offered worth-while protection against both flights from currency and depressions. Obviously, there is an important difference between owning gold or gold coins and owning the stocks of gold-mining companies. There is little choice for American investors, who by Government edict in 1933 were prohibited from owning gold or gold coin; they must suffer whatever vagaries there may be in owning corporate stocks of gold mines if they are to obtain an interest in gold.

There is some likeness between the present and times in the past when an investment in gold proved to be worth while. Without discussion of all the ramifications in the national and international situations, confirmation of this conclusion is apparent from a brief review of how governments finance themselves, our current position in this regard, and the fundamental requirements of peaceful trade. Governments finance themselves by taxes, bond sales, and/or the issuance of irredeemable paper currency. Some observers believe that taxes, which currently absorb something over 30% of income in the United States, are about as high as they can be. This does not preclude the possibility of higher tax receipts for the Government from a lower tax rate on a higher level of business, but, with business at full steam and taxes at certainly very high rates, there is room for questioning higher than present tax returns to the Government in the foreseeable future. As for the sale of additional Government bonds to individuals, there is some questions of the individual's interest in buying bonds from the Government at prices to yield him less than the 5% a year average rate of shrinkage he has been experiencing in the value of his money. All things considered, there are some reasons for fearing flight from the currency.

EXCHANGE BETWEEN NATIONS

Historically, we know that the exchange of goods and services between nations has always been carried on either by peaceful trade between the nations or by seizure during war. A prerequisite to peaceful trade is the establishment and existence of a sound medium of exchange in which businessmen, merchants, traders, and consumers have confidence. Barter is not a substitute for the free exchange of the world's goods facilitated and encouraged by a sound medium of exchange. And again, historically, sound currencies seem to imply gold-backed currencies, not managed money. That we do not now have confidence in the world's managed paper currencies seems evident from the following excerpt from an article appearing in *The New York Times* of December 16, 1951, by Burton Crane:

> Signs are multiplying that hoarding of gold has become a monstrous economic fact with which economic planners will have to deal.
>
> Private gold hoards are now estimated by Pick's World Currency Report at $11.2 billion with $4.1 billion in France, $2 billion in the rest of Europe, $1.8 billion in Asia, $1.8 billion in Africa, $900 million in Western Hemisphere and $600 million elsewhere.
>
> Prof. Sumner H. Slichter of Harvard University has said, according to the December letter of the National City Bank, that there is a "limit of tolerance" on dollar depreciation of perhaps 3 or 4 percent a year. At 3½ percent, compounded, the price level would double—and the dollar lose half its value—every twenty years. Beyond that, said the bank, he apprehends people might be panicked into converting money into goods.
>
> That many already are converting into gold cannot be denied. Of all the nations in the world, only Switzerland has seen the purchasing power of its money shrink less than 40 percent since 1939—only twelve years ago. Switzerland's shrinkage was 39½ percent. That of the United States in October was 47 percent. Professor Slichter's "limit of tolerance" has been passed everywhere.
>
> "The saver," says the National City Bank, "ruefully compares the 2 to 2.9 percent he can get on Government bonds with the 5 percent a year average rate of shrinkage he has been experiencing in the value of his money."
>
> And apparently a good many of them have discovered that they can buy gold—which pays no interest and therefore produces no income for tax purposes—and simply hold it for a term of years, selling it eventually for a capital gain at a price that will keep their purchasing power intact. Or they can even play the gold futures market, borrowing against bullion.

Review of the investment situation led me to conclude that an unsophisticated investment in the depressed gold group might be timely. The thought being that selected gold-mining shares might be held until signs or indications of better inflationary hedges or sounder bulwarks against a major adjustment appear.

Manufacturers of AE WALL & FLOOR TILE

1951 ANNUAL REPORT

AMERICAN ENCAUSTIC TILING COMPANY, INC.

OPERATIONAL HIGHLIGHTS

- Manufacturing operations were substantially greater in 1951 than in any previous year.
- Sales were 30% higher in 1951 than in 1950.
- Profit before taxes was $3.61 a share against $2.63 for 1950.
- Net profit declined to $1.15 a share from $1.30 in 1950 due to greatly increased income and excess profits taxes.
- Dividend payments were increased to 55¢ per share in 1951.
- Net worth increased nearly 12% by retained earnings.
- Backlog of orders continues satisfactory.
- Labor relations have been satisfactory throughout the year.
- The sales outlook for 1952 appears good, unless defense program restrictions become more severe.

MALCOLM A. SCHWEIKER, *President*

A copy of the Annual Report may be obtained by writing the Company at Lansdale, Pennsylvania

C AND O FOR PROGRESS

Reports the Highlights of 1951

NET INCOME

Net income was $38,123,000, exceeded only in 1936 and 1941. It was equal to $4.80 a common share, compared with $4.25 a share in 1950.

The C&O among U. S. railroads:

- **First among bituminous coal carriers**
- **Second in number of shareholders**
- **Fourth in railroad cars handled**

and, although only tenth in total revenues,

- **Fourth in net income earned**

REVENUES

Coal and coke produced all-time high revenues of $196 million, due largely to abnormal export of coal to Europe.

Merchandise traffic accounted for 42 per cent of total freight revenues. At $145 million these revenues were $11.4 million above 1950 and $9.6 million above the 1948 record year.

One hundred and four additional diversified industries, at a plant-building cost of $100 million, located on C&O lines. These plants will give C&O revenues of about $4 million annually.

OPERATIONS

Control of expenses: despite inflated costs, the operating ratio of 71.0 per cent was the best in seven years, with the exception of 1950's 69.4 per cent.

Operating efficiency set new high records, reflecting better planning, selective dieselization, work simplification and installation of labor-saving devices.

TRANSPORTATION PROPERTY

Expenditures for new equipment and roadway improvements amounted to $73 million.

TAXATION

A further increase in tax rates brought the year's total tax bill to $62 million. $3 was paid in taxes for every $1 paid Chesapeake and Ohio shareholders.

FINANCING

Funded debt, reduced to $234 million, had no substantial maturities due before 1973. Net cost of interest charges, after taxes, on all debt, including equipment obligations, was only 1.5 per cent of revenues. This was less than one-half what C&O net interest cost was ten years ago.

CASH POSITION AND DIVIDENDS

Your company's financial position continued strong. Payments to shareholders were increased following recovery from the unprecedented coal strikes of 1949, when the mines operated only 170 days. A dividend of 75 cents was declared for the final 1951 quarter and also for the first quarter of 1952.

Robert R. Young
CHAIRMAN

Walter J. Tuohy
PRESIDENT

BOARD OF DIRECTORS

James G. Blaine
New York, N. Y.

Robert J. Bowman
Detroit, Michigan

Robert J. Bulkley
Cleveland, Ohio

Thomas J. Deegan, Jr.
New York, N. Y.

Cyrus S. Eaton
Cleveland, Ohio

Herbert Fitzpatrick
Huntington, W. Va.

Henry J. Guild
Adams, Mass.

Allan P. Kirby
Morristown, N. J.

William H. Lipscomb
Leesburg, Va.

Walter S. McLucas
Detroit, Mich.

Robert W. Purcell
New York, N. Y.

Harry C. Thompson
Minneapolis, Minn.

Walter J. Tuohy
Cleveland, Ohio

Andrew Van Pelt
Philadelphia, Pa.

Robert R. Young
Newport, R. I.

These highlights appear in C&O's 1951 Annual Report. For copy of the complete report, write Chesapeake and Ohio Railway, 418 Terminal Tower, Cleveland 1, Ohio.

Chesapeake and Ohio Railway

Terminal Tower, Cleveland 1, Ohio

Can Wider Financing of Signal Equipment Reduce Costs to Railroads?

LANCASTER M. GREENE

CAN YARD CLASSIFICATION and interlocking controls and centralized traffic controls save railroad dollars?

COMPARISON WITH SAVINGS OF DIESELIZATION IN LAST DECADE

Jules I. Bogen, contributing editor of the *Journal of Commerce,* told 200 rail analysts of the New York Society of Security Analysts that the great savings of dieselization have been a life saver for the rails in the past decade. These savings have about offset the rises in operating expenses in wages, in steel, and in other supplies.

There is nothing in sight to help similarly over the next ten years, and the big savings from the use of Diesels have been realized. As for savings from car retarders and automatic switching for classification yards, centralized traffic control, and interlockings, it was said that these are relatively small, and not so bankable as equipment trusts on rolling stock. Since many top rail analysts present at the forum were not familiar with institutional experience with the plan developed by General Railway Signal Company, a discussion of this may be valuable to the financial community in general and may accelerate the use of cost-saving signal and allied systems.

That company has contended for years that the savings from the consolidation of interlockings, centralized traffic control, and car retarders are sufficient to liquidate the costs out of the economies effected in a very few years.

PURCHASED ON DEFERRED BASIS

Locomotives and cars are usually purchased on a deferred payment plan over a ten- or fifteen-year period. Thus there seems to be no valid reason why signaling installations should not be purchased on a deferred basis, although perhaps over a shorter term.

General Railway Signal Company has furnished a number of installations through conditional sales contracts, and in all these installations savings have ranged from 20% upward. When the contract is completed, thet railroad pays 20% of the cost with the balance of 80% in 60 monthly installments, including interest. This balance of 80% is then assigned to a bank without recourse, and the railroad makes these monthly payments directly to the bank.

To follow the course of financing of an installation of centralized traffic control a 99-mile CTC in West Virginia is helpful. Agreement was made in May 1950 for the signal department of the railroad to install the system at the direction of the signal company at an estimated expense of $790,000. The control board and major appliances were shipped to the road by the signal company. Installation was completed by December 1951. At this point the railroad paid 20% to the signal company on a conditional sales contract, a bank took title to the signal equipment, paying the balance of about $630,000 to the signal company, title to pass to the railroad only after 60 monthly payments, with interest at 3%, had fully repaid the bank. It is estimated that the total cost of this improvement will be saved in four to five years! Payment by the bank to the signal company as sections of a project are completed was deemed feasible and no interim financing by this signal company to run over one year appears likely.

A car retarder system on a switching hump for a yard in the northeastern United States has been installed at a cost of $590,000. The signal portion included a control tower, communication system, and hump conductor. A total of $190,000 was paid as current expense as high in labor factor, and $400,000 was estimated the value of equipment salvageable in case the bank should desire to repossess at any time before the road completed its five years of payments. Eighty per cent of this, or $320,000, was loaned by the bank after the road paid 20%, or $80,000 down. The annual saving in this case is $190,000, or over 30% on $590,000, a substantial amount.

A CTC system was installed in the same region for a 40-mile stretch at a cost of $232,000, nearly all signaling equipment on which the lending institution loaned 80%, partly because the savings were estimated at $95,000, or over 40%.

There are other and larger projects that lend themselves to similar bank financing, such as new classification yards, and savings in these yards usually run 20 to 25%, and as high as 40%.

SIGNAL EQUIPMENT VITAL TO OPERATION

The railroads in question report that signal equipment, once installed, is vital to operation of the road. In fact, operation would be impossible if equipment were ripped out. In case of insolvency a trustee would find it imperative to honor these conditional sales agreements, in the opinion of rail officials consulted.

The total of signal equipment installed plus maintenance in 1951 was probably in the neighborhood of $50 million. Financing of signal equipment has not yet been done on a large scale, whereas financing of Diesels has been done in volume for years. Probably 50% of the equipment trust issues of $293 million in 1951 were for Diesel purchases. Monon, Chicago & Eastern Illinois and Illinois Central are completely dieselized, and Erie will soon reach the point. Savings from dieselizing have probably passed their zenith as Doctor Bogen suggests. Good experience in financing signal equipment may accelerate orders and save growing numbers of railroad dollars. It took long experience with equipment trusts to make possible the $2.5 billion total that is estimated to be outstanding on all U. S. rolling stock today.

how weak?

Oxygen . . . the basic element of life. It breathes life into premature babies . . . plucks the sick from the grave . . . produces steel . . . helps build bridges, planes, ships. It is the partner of man — and industry.

how strong?

The oxyacetylene flame and electric arc . . . an unbeatable team for building tools of war — and peace. Economical . . . versatile they cut and sew metals into strong, one-piece units.

AN AIR REDUCTION PRODUCT

at the frontiers of progress you'll find

From oxygen for incubators to oxyacetylene flame cutting . . . from gases for beverage carbonation to sign lighting . . . from steel making to synthetics, you'll find Air Reduction products contributing to the comfort and convenience of daily life.

Results of continuous research and development, these products are but small parts of Air Reduction's family of materials and processes aimed at filling tomorrow's needs and the requirements of today.

In fact, wherever progress is racing ahead to new frontiers, you'll find an *Air Reduction Product.*

AIRCO®
AIR REDUCTION COMPANY, INCORPORATED
60 EAST 42nd STREET • NEW YORK 17, N. Y.

Divisions of Air Reduction Company, Incorporated,

AIR REDUCTION SALES COMPANY, AIR REDUCTION PACIFIC COMPANY, AIR REDUCTION MAGNOLIA COMPANY . . . *Industrial Gases, Welding and Cutting Equipment* • AIRCO EQUIPMENT MANUFACTURING DIVISION • NATIONAL CARBIDE COMPANY . . . *Calcium Carbide* • OHIO CHEMICAL & SURGICAL EQUIPMENT CO., OHIO CHEMICAL PACIFIC COMPANY . . . *Medical Gases — Apparatus — Hospital Equipment* • PURE CARBONIC COMPANY . . . *Carbonic Gas and "Dry-Ice"* • AIRCO COMPANY INTERNATIONAL . . . *Export* • AIR REDUCTION CHEMICAL COMPANY

The Business Executive and His Financial "Peephole"

JOHN E. KUSIK

THE FINANCIAL REPORTING SYSTEM is not a peephole! Its purpose is to produce simple, understandable pictures of what is going on in your company. It should provide for business executives an instrument panel that offers reliable indicators of business position—not a haphazard collection of reports based on the limited view of a man at a peephole!

All of us are interested in the problem of financial reporting because it involves the foundations of our responsibilities. To design and operate for companies, effective financial instrument panels is an important part of the job. During recent years we have been literally flooded by books and articles telling us what management needs. Much less has been said about the ways of effecting the transition from what we now have. It is this problem of transition that has given us most difficulty on the C&O. Out of this experience there have developed some indications of how to proceed.

I would like to pass these along to you.

1. First of all, we should recognize that: *for a financial instrument panel, financial data of past and current events and forecasts of the future, must be prompt and reliable.* How promptly are the financial indicators of your company available? How reliable are they? Are they based on habitual pessimism and efforts to play 100% safe?

Your response may be that excellent financial reports based on excellent accounting data tell you promptly and accurately how your business is doing. However, I should like to suggest very respectfully that, although, according to conventional standards, normal accounting procedures may be prompt and accurate, this is not enough for aggressive management purposes. Stated another way, a financial man's excessive reverence for normal accounting procedures may well be a major handicap to the efforts of management to keep abreast with current events.

Let me hasten to say that I do not propose to do away with accounting or accountants. I am an accountant myself; accounting is among my chief responsibilities, and I recognize it as an indispensable management tool. I do offer, however, the following suggestions for modification of generally accepted ideas concerning financial reports:

A. Cast off the millstone of reliance on accounting closing dates for financial data. In collaboration with your accounting department, establish estimating systems which will produce all major financial reports well ahead of the regular closing dates. If an estimating system is used, there is no reason why an income statement should not be issued by the second working day after the close of each period.

These estimating systems would be concerned only with isolation of significant variations from the recurring revenues and expenses, or established standards. Recurring items would not require recalculation.

Reports produced through such estimating systems would serve most top management purposes. They would replace for current use all reports dependent on conventional closing dates. Data later developed by regular accounting procedures would be used as a check on these estimates, for

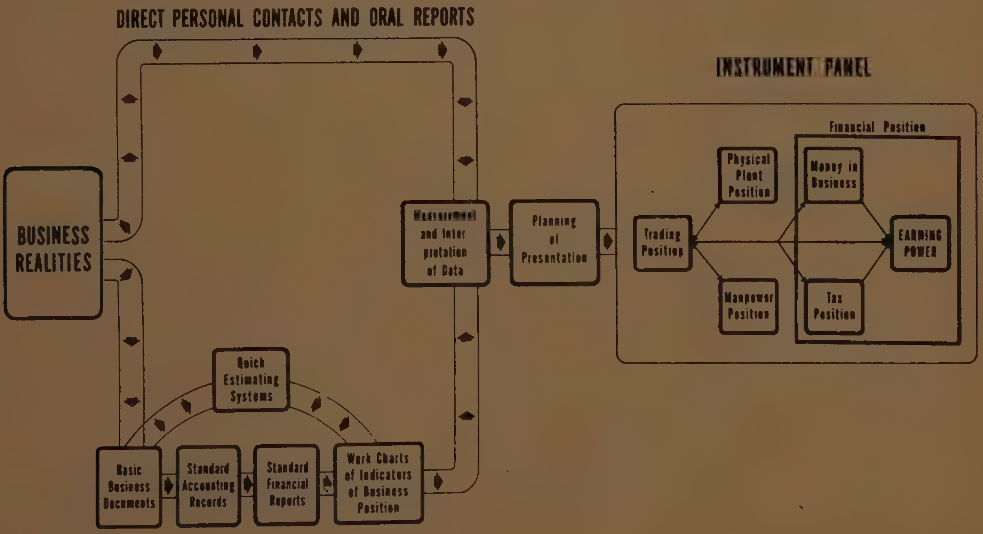


Figure 1. The Chesapeake & Ohio Railway Company flow chart of process of accumulation and presentation of financial data

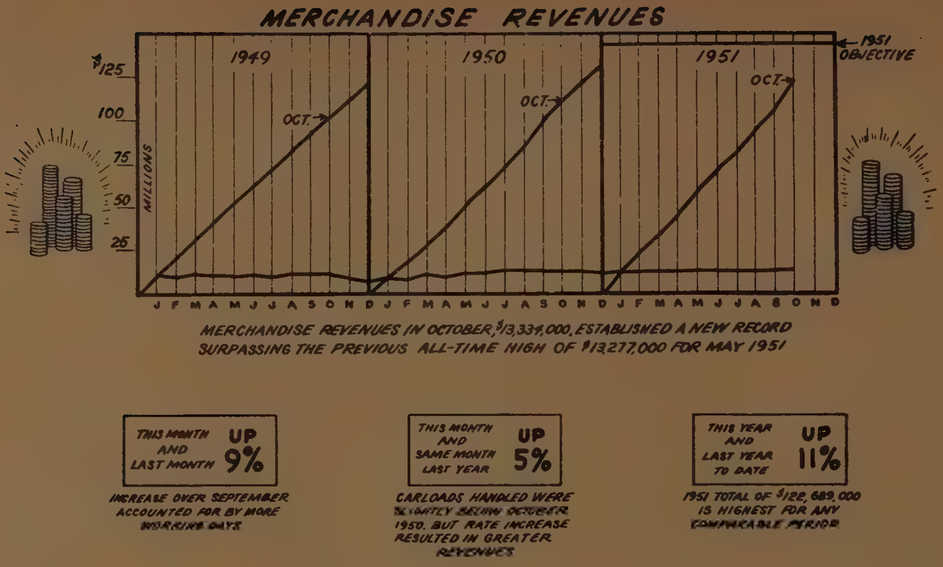


Figure 2

auditing purposes and for periodic reports to stockholders and Government agencies—none of which carries as urgent a deadline as management control data. Let us remember that even the so-called "actual figures" are at best only approximations of realities!

My second suggestion is:

B. Insist on greater reliability of financial data! How is this possible with an estimating system?

As you know, the answer is that precision down to the last cent is of importance only with respect to individual transactions and for auditing purposes. Such precision is not needed for management decisions.

The important thing, especially at business turning points, is to have available reliable financial facts—reliable only in the sense of rounded-off approximations, sometimes in thousands of dollars or even millions. These are much more useful than conventional statements which appear to be precise because they are expressed in dollars and cents. Precision of this sort is an illusion when such statements contain severe distortions produced by accounting adjustments or arbitrary prorations.

The specific prorations or allocations I am talking about are those that have to do, for the most part, with so-called regulated costs. They are not directly related to business volume. They are incurred by managerial decisions. In the railroad industry, such costs are a large proportion of total operating costs. This is so likewise in most other types of business. Design engineering, space advertising, ad maintenance expenses, usually determined at the beginning of the year or some longer cycle, fall into this category. In making cash forecasts, it is, of course, important to know the period in which the actual disbursement will be made. However, in reporting earnings for a period, some other basis of recording these expenses might be more useful.

I recall a solemn meeting of distinguished financial men debating at some length the question of when to charge such expenses. The final decision was to record advertising expense, which fluctuated widely, in the periods in which actual payments were made. This was done in the name of so-called "integrity" of accounting, overlooking the fact that from a managerial standpoint the income account could become seriously distorted.

My third suggestion:

C. Use the break-even chart technique to test the reliability of your accounting data. Break-even charting calls for careful review of classifications for revenues and costs, and for segregation of costs among variable, regulated, and fixed. Experience shows it is useful in spotlighting unusual occurrences and enforcing more careful planning of prorations.

A financial control panel, to be of value, must reflect significant events promptly. It must not let them be buried under slow-moving or old-fashioned accounting procedures, nor must it allow them to be buried under meaningless adjustments—practices that alert accountants everywhere are themselves anxious to avoid or change.

Lastly, on this subject of financial reports:

D. Do not be a chronic pessimist. Let's say that a chronic pessimist is a fellow who, on a picnic day, squints at the cloudless sky and proclaims that it is going to rain!

It is a normal function of a financial man to serve as a balance wheel for other functions of the business, in making financial appraisals of current events and future probabilities. However, it is dangerous to assume the attitude of playing 100% safe. In the first place, it will lead to a timid withdrawal from the realities of life. It will lead to an insecure hideout behind the walls of paper documents which inevitably surround unwary financial man. Moreover, the results of such a withdrawal are usually disastrous, even though disguised for a time, because 100% safety is unattainable. Anyone can lose—by playing 100% safe!

While viewing realistically the unpleasant facts and possibilities, the financial man with vision will not overlook the favorable facts.

A recent *Time* magazine issue, referring to Winston Churchill, offers a spectacular contrast of vision against the lack of it:

> Where they saw despair, he saw hope; where they saw defeat, he saw challenge; where they saw surrender, he saw opportunity to attack. And in the darkness of 1940, he dared to tell history: "This is our finest hour."

So much for promptness and reliability in financial reporting.

2. I now turn to the second requirement: *For a financial instrument panel you need an unobstructed view of all phases of operations.* Are you restricted to a "peephole" view?

If you are, you may as well give up the idea of streamlining your financial reporting system until you have enlarged your participation in the stream of management effort.

The detailed construction of a financial instrument panel for any company is determined by its own characteristics and problems in the fields of marketing, manufacturing, and capital requirements. And it is also determined by the source of money used in the business. These characteristics cannot be discovered through armchair studies. As a financial man of your company, you should spend a large proportion of your time eating and sleeping, so to speak, with the men in the other fields of management, learning what they are trying to accomplish. You should have more than only a general familiarity with your marketing outlets and manufacturing plants.

In order to be able to design and maintain a good instrument panel for his company, the financial man must maintain his feel of operations through close personal contacts with the level at which the work is being done. This means not only financial areas but all areas. Intimate, frequent immersions into the environment of the other functions are especially important to financial men. We are prone to become separated from the realities of life by our wall of paper documents and by overcaution—both of which can block from view the very realities that we are trying to evaluate. A first-hand view of these realities will readjust the distortions that develop when our view is confined to a mere peephole in a wall of paper.

If you are the top financial man of your company, you should spend as much as half of your time associating with the other functions. Raise your relations above the paper level!

3. The next requirement for an instrument panel is a flow chart, which, like a wiring diagram, would assure an orderly flow of facts and impressions. Figure 1 is C&O's flow chart! How does it work?

(a) The block on the extreme left symbolizes what is going on—that is, business realities. Facts and impressions flow from these realities toward the instrument panel on the extreme right.

(b) The upper channel represents personal contacts and oral reports. It emphasizes the necessity of close personal contacts of financial men with all phases of operations.

(c) The lower channel starts out with the traditional reporting system—the first three blocks: Basic Business Documents, Standard Accounting Records, and Basic Financial Reports. However, instead of relying solely on this old part of the channel, quick, short-cut statistical methods are used to speed up the transmission of data by bypassing standard accounting records and financial reports. Such short-cut data may be in dollars, or they may take the form of unit measurements such as tons of material or man-hours of labor.

(d) Provision is also made in this lower channel for "work charts of indicators of business position."

On the C&O we keep over 100 different work charts for various phases of our business. Their purpose is to dis-

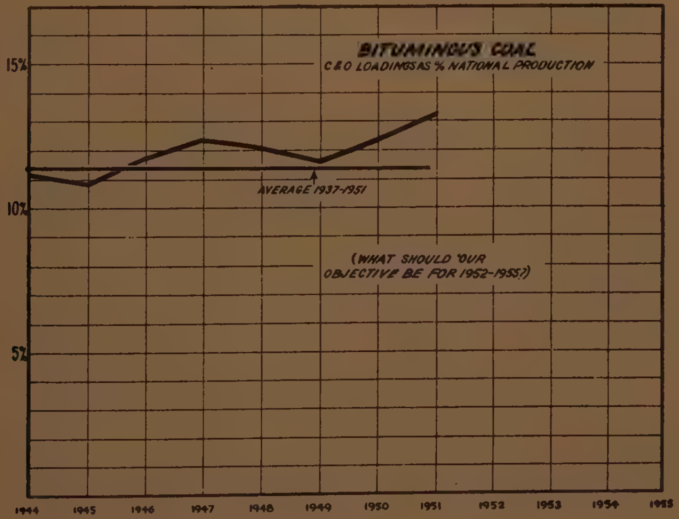


Figure 3

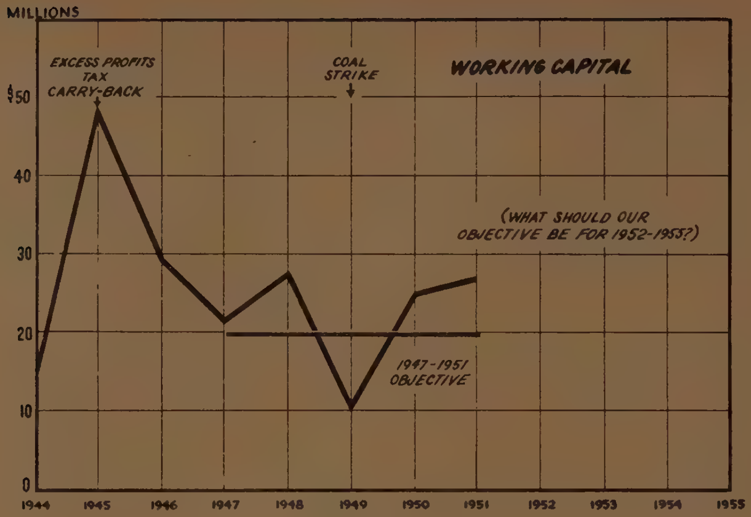


Figure 4

cover and spotlight promptly for further investigation any apparent significant turn of events.

(e) Data obtained from these various sources are carefully analyzed and measured. Whenever necessary, discussions are held with other department heads or men on the ground to make certain that data are properly interpreted.

(f) After all of these facts have been measured and interpreted, the planning of presentations is the next important step. Presentations must be free of confusing financial and accounting terminology because most management men do not understand it. The objective is to present the facts concisely and simply.

Such of our major recurring presentations as the monthly report to directors are redesigned about once a year. Ideas for improvement are accumulated for use at one time. We solicit suggestions for improvement from other departments. Frequently we ask the advertising and public relations departments to check over our presentations.

For a quick example of a technique of presentation, you may be interested in Figure 2. It shows a suggested innovation for presentation to management of C&O's merchandise revenues—"Net sales billed to you!"

This chart is designed to show at a glance how we stand in relation to our objective, as well as in comparison with past periods. For example, "This month UP 9%." Short comments are added to point up the significant trends: "Merchandise revenues in October, $13,334,000, established a new record surpassing the previous all-time high of $13,277,000 for May 1951."

We have covered in our discussion, thus far, several major elements of a successful financial instrument panel—the importance of promptness and reliability, the importance of an unobstructed view, and the flow chart.

4. *We have now reached the financial instrument panel itself.*

This instrument panel consists of six major subdivisions of the reporting system, grouped into two parts: "trading position" and "financial position." The goal of all operations is presented by objectives of financial position, into which all current planning and performance measurements are geared. These objectives are reached through skillful interplay of financial and trading factors, directed by management.

TRADING POSITION

The *trading position* of a business consists of such factors as the product being marketed, its markets, channels of marketing, prices, volume, and costs, all combined with availability of skilled man power and management personnel. These factors produce a desired trading profit and industry position. Obviously, leadership in planning the objectives of trading position, as well as for performance, belongs with marketing men, designers of products, and manufacturing men, all fitting their planning and operations into the trading objectives. The function of the financial men is to serve all these groups by representing financial objectives and by participating in constructive critical exchanges of views.

For the purpose of the instrument panel, the financial man maintains only a few basic indicators of the trading position. These include data regarding profit margins, volume, prices and costs, as well as industry standing.

On the C&O we maintain a close scrutiny of our industry standing. For example, for merchandise traffic we follow the trend of new industries brought to our lines and the proportion of available traffic secured by us. For coal traffic, we watch the percentage of total bituminous coal mined in the United States handled by C&O. Effective management usage of any instrument panel, such as we have been discussing, would project into the future the trend of the company's industry standing. It was by this process, centering around anticipated increases in coal shipments, that management decisions were made on C&O which led to increased marketing effort and acquisition of additional facilities. As a result, we found ourselves ready in 1951 to handle 13.3% of national production of bituminous coal, compared with 11.7% in 1946. C&O has increased its share of available traffic, but we now ask ourselves: What should C&O's objectives be during the *next* five years?

In our planning of financial indicators for the trading position (Figure 1) we have created a separate grouping of indicators for physical plant. This was necessary because of the financial magnitude, in railway operations, of even routine additions and replacements. Moreover, our total investment in physical plant is, relatively speaking, much greater than for most industrial companies.

The problem of facilities is, of course, the province of engineers and manufacturing men. However, there are some areas in which the financial man should seek proper indicators of current position and trends. For example:

1. Extent of modernization of facilities. The cost reduction effect of up-to-date facilities and the extra costs of obsolete facilities both have an important bearing on the earning power of the company. On the other hand, improper deferment of improvements and maintenance can destroy its earning power and financial position.

2. Effectiveness of utilization of existing facilities may likewise exercise a major effect on the earning power of the company. Hence, it is the duty of a financial man to satisfy himself that proper controls are in existence. He should determine what effect utilization of facilities has on current earnings and future trends.

On the C&O it takes, on the average, about two weeks for one of our 60,000 coal cars to get loaded, hauled to destination, and returned to the mines. We call this turnaround—the same concept as turnover. We find that improvement of as little as one day in this turnaround will enable us to reduce our coal car fleet by 4,000 cars. This would reduce our investment by over $20 million; our fixed charges and operating expenses would be reduced by about $2 million a year.

C&O has done well with its physical plant position, but, management asks, what should its objectives be during the *next* five years?

Another subdivision of the trading position for which we provided a separate grouping is the *man power position.* This was again done because of its special financial importance to C&O. More than 40% of every C&O revenue dollar is paid out in salaries and wages.

It is primarily the function of operating and personnel departments to be concerned with the many complex problems of man power position. However, the financial man, in constructing the instrument panel, should include some indicators of labor costs, productivity, and trends. A current acceptable earning power position may be quickly changed by loss of labor productivity or wage increases.

Similarly, the financial man must know and reflect in the instrument panel, the status of pending salary and wage increases.

C&O has made good progress in improving its man power position. However, management wants to know, what should the objectives be during the *next* five years?

FINANCIAL POSITION

We now move over to the financial position.

In setting up controls for financial position, you need to know the financial objectives of your company. Do you know what they are? Does anyone know? Or is your company just drifting along without any clear objectives.

On the C&O the measurements of progress in the company's financial position include:

1. Taxes—in terms of:
    - (*a*) Excess profits exemption.
    - (*b*) Effect of five-year amortization program.
    - (*c*) Other objectives for increasing allowable tax deductions.
2. Money in business—measured in terms of objectives for:
    - (*a*) Working capital.
    - (*b*) Equipment obligations.
    - (*c*) Long-term capital, represented by bonds and stockholders' equity.
    - (*d*) Interest charges on borrowed capital.
    - (*e*) Dividends.
3. Lastly, earning power—measured in terms of objectives for:
    - (*a*) Break-even point.
    - (*b*) Earnings per share of common stock.
    - (*c*) Return on investment.

As financial men, it is our job to find out the proper level and balance for these sometimes conflicting objectives. The financial position of the company cannot be left to chance. Without these objectives, our business would lack a substantial part of the impelling urge to do better. Without clearly understood financial objectives, the budgetary control systems and other management control devices would lack a real sense of direction or meaning. This emphasis of the need of having long-range financial goals, is the main point of this phase of my discussion. It is of special importance to the companies that obtain their capital requirements from earnings. They lack such severe automatic

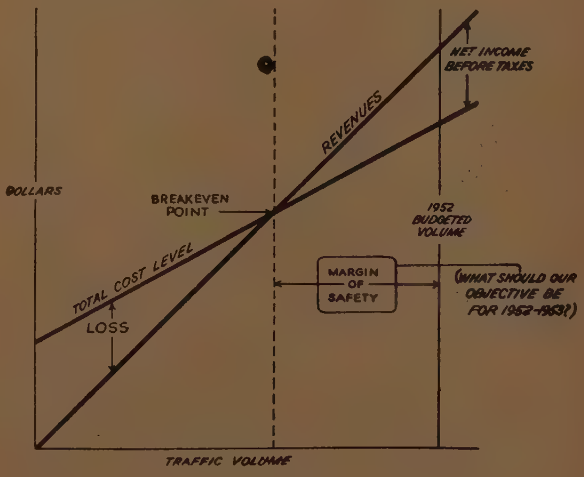


Figure 5

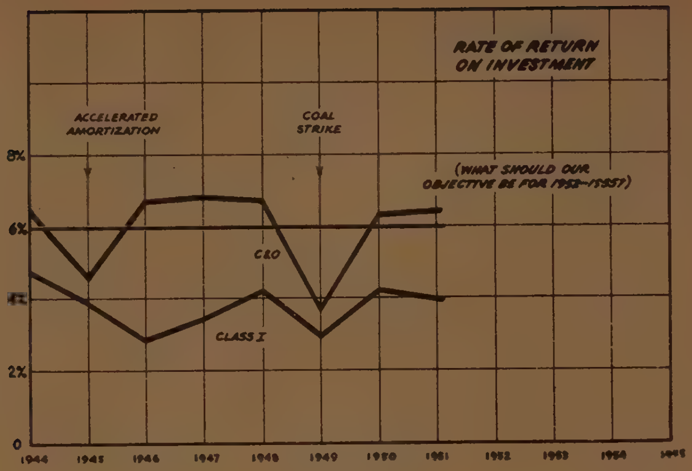


Figure 6

tests of financial market places as the level of maturities, coverage of interest charges, and interest rates obtained on new borrowing.

Now, a few more specific comments about some of the important items of financial position (Figure 1) which are of common interest to all types of business.

TAXES

We must recognize that all financial objectives are governed by the insatiable demands of a loud partner in the division of profits—the tax collector. This factor has made taxes a top management problem.

Federal and local taxes are handled in some companies by financial men, but often by others. With the ever-growing share of profits taken by taxes, the financial man must have a thorough understanding of the tax position of his company. No matter by whom taxes are handled, the financial man and other executives should have available to them periodic restatements, in laymen's language, of the tax position of the company. This will maintain the general awareness of the need of considering the tax effect wherever alternative courses of action may be available. No financial instrument panel would be complete without careful planning of indicators of tax position and its objectives.

The second major area of financial position is that of *money in business* concerning which I have some comment to offer about working capital.

Aside from normal day-to-day requirements for working capital, all business concerns should carry some "storm" reserves for such contingencies as sudden drops in business volume and shutdowns because of strikes. Unless some predetermined standard is used for its accumulation, there is danger the "storm" reserve will not be there when needed.

Of course, the standard for working capital is not something that can be computed on the basis of ratios. It must be determined by a study of the characteristics of the business. In our own case, we feel that net working capital should be sufficient to:

1. Hold the existing dividend rate in the face of a severe, relatively short-term drop in earnings.

2. Provide a reserve for continuation during such period of necessary capital improvements normally financed from earnings.

3. Provide some additional safety margin for unforeseen contingencies and the normal impossibility of cutting controllable expense in too close a parallel to fluctuations in operating revenues.

Figure 4 shows C&O's current working capital position in relation to past objectives. With data of future needs, these indicators are used as a basis for setting objectives for the future.

Again the important thing to note is that management has to set a predetermined objective for working capital. On one hand, it should be adequate for all reasonable needs. On the other, it should not be set on the basis of overconservatism. Idle cash does not bring any return. It may lead to lax capital administration and endanger the safety of the working capital or the business itself.

The consequences will generally show up in weakened collection effort, excess inventories or unproductive capital additions resulting from poor screening of proposals.

Next, let us consider (Figure 1) *earning power objective*—the final area of "financial position."

The maintenance of the earning power of a business concern is like the ability of an individual to lay aside, over his lifetime, a portion of his income as savings. It is the amount of money that is left over after operations. However, how much is left over is determined to a large extent, for the individual by his savings objective, and for a company by its earning power objective. It calls for determined effort on the part of management to maintain a definite goal for the company's earning power—not for a year or two, but over the long range. It calls for maximum effort of keeping income up and costs down. I will not get into the question of whether the earning power goals should be set on the basis of recorded costs or of replacement values. This is a larger problem in itself and one that must be solved in setting the earning power objectives.

The pressure to reach or maintain earning power objectives, in the face of rising costs, generates a continuous vigorous drive toward opportunities for new business, for cost reductions through increased mechanization and work simplification, for selective price increases and for elimination of unprofitable products and services. Very important, however, is one other function of the earning power objective—it gives an important indication of when to say "no" to proposals that may lead to greater sales volume but may cause disproportionate increases in costs.

THE BREAK-EVEN POINT

Much has been said about the rising *break-even point* during recent years and its effect on earning power objectives. The higher the break-even point, the larger must be the volume of sales needed to produce a profit.

In these days of inflationary cost increases, many segments of industry have been prevented from seeking larger volume of sales because of Government restrictions or other limitations. More and more have they sought price increases to offset rising break-even points, thus being forced to play the game of a dog chasing its tail. As a consequence, it has become more important to measure the safety margin represented by the excess of current volume over the break-even point than the upward movements of the break-even point itself.

Figure 5 shows the C&O's break-even point. As you can see, our safety margin, that is, the current excess of gross revenues above the break-even point, is close to 60%. The fact that the ratio of excess has remained approximately the same for the last several years, despite drastic cost increases, indicates a substantial degree of success of efforts to preserve the company's earning power.

This particular break-even chart, of course, is an oversimplification and is presented for illustrative purposes only. It shows our picture on a long-range basis: that is, how our costs may vary in relation to relatively wide reductions in business volume, of prolonged character. On a short-range basis, say, a few months, or even the year 1952, the safety margin would be much narrower because of our inability to contract operations quickly enough to offset losses of revenue.

It has been said that *return on investment* for the railroad industry should average over good and bad years 6% per year. What it should be for C&O is, of course, a matter of considered judgment, but we do have an objective in mind. C&O's past history and current performance are shown in Figure 6, in relation to the industry objective, as a basis for our planning for the future. It shows that C&O's performance has been consistently better than the industry's, even in 1949—the year of the disastrous coal strike. The point is that management should not merely accept a projected rate of return simply as it happens to come out as a result of nonfinancial (so to speak) planning. It is its responsibility to establish a carefully considered long-range objective for a rate of return to which budgeting and planning will conform.

An established dividend rate that is liberal in relation to earnings tends to back up or stiffen other earning power objectives. Another very important function of a difficult dividend objective is that of safeguarding proper compensation of equity capital used in the business.

It has become a tradition to expect from C&O a liberal dividend. The last quarterly dividend was increased to 75 cents. This new rate, if continued, would return C&O's dividend payments to the level that has been in effect for a long time.

In any event, aside from having to give serious weight to a long-established tradition, it is incumbent on management to do better, if possible. This attitude will, in turn, stiffen management's backbone in efforts to maintain or increase the company's earning power.

* * *

And so we have covered all the elements of our flow chart (Figure 1) including some philosophy.

A Chinese proverb says that:

> To talk much and arrive nowhere is the same as climbing a tree to catch a fish.

After all this talk, where do we go from here? With the rough blueprint outlined, let us get busy and convert our "financial peepholes" into meaningful financial instrument panels!

They Make the Facts Available . . .

. . . The companies listed below are rendering a service to American industry by means of practical financial public relations. Their objective is better understanding between management and investors . . . security houses . . . the financial press.

As financial public relations counsel for these forward-looking companies, we can supply you with up-to-date information about their activities, progress, and prospects.

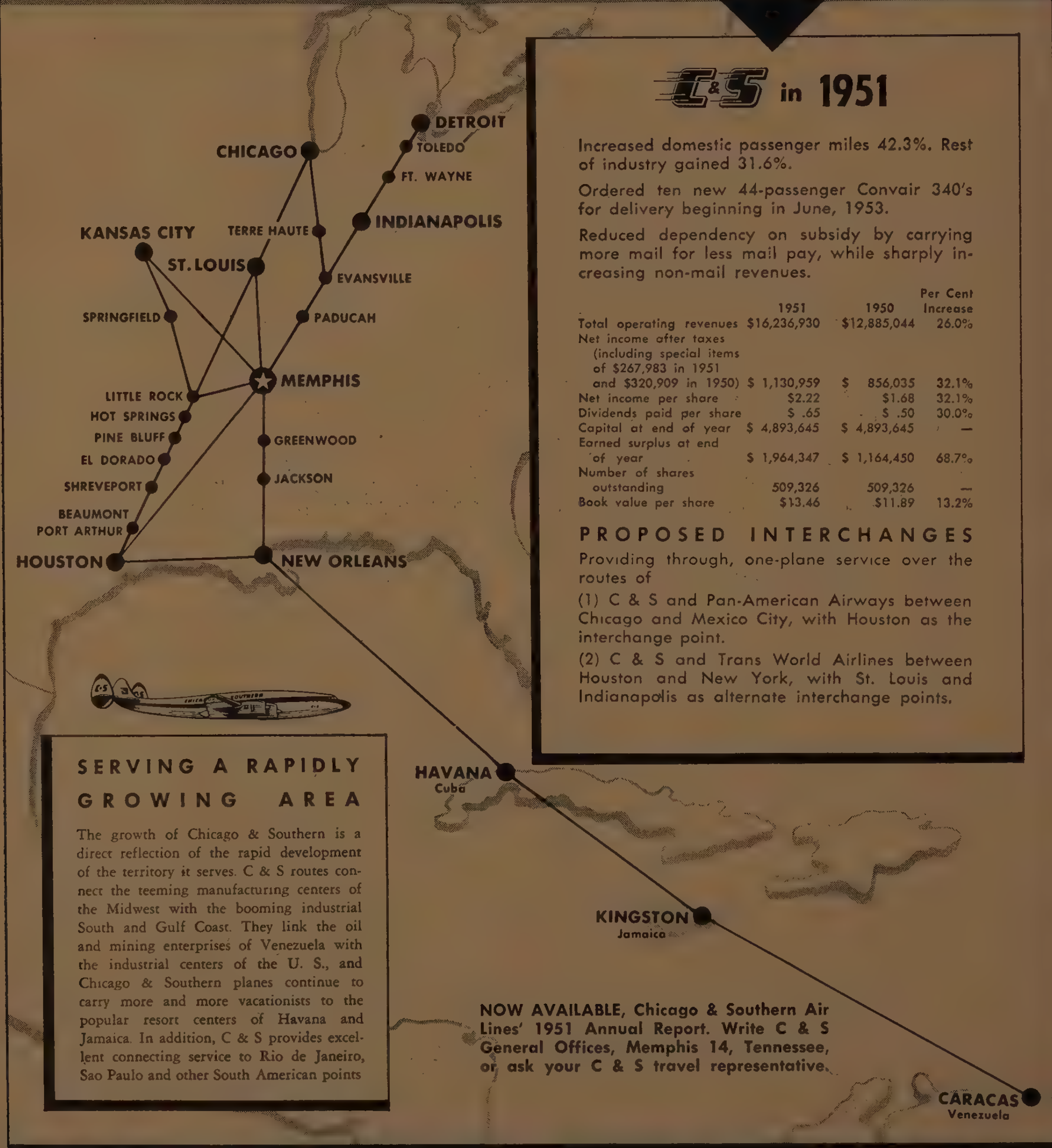
Affiliated Gas Equipment, Inc.
Allen Industries, Inc.
Chicago and Southern Air Lines, Inc.
Drewrys Limited U.S.A., Inc.
The Harshaw Chemical Company
Newport Steel Corporation
Pfeiffer Brewing Company
Robertshaw-Fulton Controls Co.
The Thew Shovel Company

Financial Public Relations
Gartley & Associates, inc.
68 William St., New York 5

C & S

CHICAGO & SOUTHERN AIR LINES

NOW LISTED ON THE NEW YORK STOCK EXCHANGE



C & S in 1951

Increased domestic passenger miles 42.3%. Rest of industry gained 31.6%.

Ordered ten new 44-passenger Convair 340's for delivery beginning in June, 1953.

Reduced dependency on subsidy by carrying more mail for less mail pay, while sharply increasing non-mail revenues.

	1951	1950	Per Cent Increase
Total operating revenues	$16,236,930	$12,885,044	26.0%
Net income after taxes (including special items of $267,983 in 1951 and $320,909 in 1950)	$ 1,130,959	$ 856,035	32.1%
Net income per share	$2.22	$1.68	32.1%
Dividends paid per share	$ .65	$ .50	30.0%
Capital at end of year	$ 4,893,645	$ 4,893,645	—
Earned surplus at end of year	$ 1,964,347	$ 1,164,450	68.7%
Number of shares outstanding	509,326	509,326	—
Book value per share	$13.46	$11.89	13.2%

PROPOSED INTERCHANGES

Providing through, one-plane service over the routes of

(1) C & S and Pan-American Airways between Chicago and Mexico City, with Houston as the interchange point.

(2) C & S and Trans World Airlines between Houston and New York, with St. Louis and Indianapolis as alternate interchange points.

SERVING A RAPIDLY GROWING AREA

The growth of Chicago & Southern is a direct reflection of the rapid development of the territory it serves. C & S routes connect the teeming manufacturing centers of the Midwest with the booming industrial South and Gulf Coast. They link the oil and mining enterprises of Venezuela with the industrial centers of the U. S., and Chicago & Southern planes continue to carry more and more vacationists to the popular resort centers of Havana and Jamaica. In addition, C & S provides excellent connecting service to Rio de Janeiro, Sao Paulo and other South American points

NOW AVAILABLE, Chicago & Southern Air Lines' 1951 Annual Report. Write C & S General Offices, Memphis 14, Tennessee, or ask your C & S travel representative.

CHICAGO & SOUTHERN AIR LINES

ONE OF THE SCHEDULED AIR LINES OF THE U. S. • 16th YEAR of PERFECT SAFETY

Plant Expansion in the United States in Relation to Consumption Capacity

DONALD B. MACURDA

THERE HAVE BEEN three distinct periods since 1915 in which the magnitude of new construction has been a major factor in sustaining a high level economy in the United States. The first, experienced over the seven years, 1923–1929, was characterized by a heavy volume of private construction (of both residential and nonresidential types) and was in large part responsible for the boom and subsequent collapse of the '20's. It was a skyscraper era.

The second, of relatively short duration, covered the years 1941 and 1942 and drew its support mainly from wartime Government-sponsored and financed projects. The third, beginning in 1946 and promising to extend through 1952, represents seven "years of plenty." Initially touched off by the pent-up demands for goods and services plus the delayed commercialization of new processes, the latest upsurge in construction activity has become increasingly influenced and supported by the Federal Government. In size and duration, it matches the greatest building boom period in our history, both actually and on the basis of adjusted values. In terms of dollars spent, the present seven years' outlay doubles that of the '20's. A summary of the comparative intensities of these three periods is set forth in Table 1.

Two of the extended construction periods fall within the past eleven years, displacing the 18 1/3-year rhythm in building activity which came so regularly in the United States from 1830 to 1930. The incidence of political factors (mobilization, controls, pump priming), it can be argued, has served to obscure and delay the normal swings in the building cycle and to create an artificial sense of economic well being.

Some of the main elements generating the 1946–1952 expansion in building construction are:

1. Low construction in the '30's.

2. Restricted residential building in the early '40's, with family formations exceeding net new residential construction.

3. Accelerated population growth (in the seven years,

Table 1. New Construction
In Millions of Dollars

	Actual Values			Annual Averages			
	23-29	41-42	46-52	23-29	41-42	46-52*	1951 Only*
Total	$77,728	$26,032	$157,666	$11,104	$13,016	$22,523	$29,868
Adjusted to 1939 prices	74,003	21,368	73,935	10,572	10,684	10,562	12,603
Index of physical volume (1939=100), average	138	136	134				

*1951 partly estimated; 1952 estimated.

Table 2. Total New Construction
In Millions of Dollars

	Actual Values						Annual Averages			
	23-29	%	41-42	%	46-52	%	23-29	41-42	46-52*	1951 Only*
Private	$62,543	80	$ 9,621	37	$113,837	72	$8,935	$4,811	$16,262	$20,820
Public	15,185	20	16,411	63	43,829	28	2,169	8,205	6,261	9,048
Total	$77,728	100	$26,032	100	$157,666	100				
Adjusted to 1939 Prices										
Private	61,315	83	8,413	39	53,766	73	8,759	4,206	7,681	8,785
Public	12,688	17	12,955	61	20,169	27	1,813	6,478	2,881	3,818
Total	$74,003	100	$21,368	100	$ 73,935	100				

*1951 partly estimated' 1952 estimated.

Table 3. Total Private Construction
In Millions of Dollars

	Actual Values			Annual Averages			
	23-29	41-42	46-52	23-29	41-42	46-52*	1951 Only*
Total residential (nonfarm)	$34,130	$5,225	$ 59,117	$4,876	$2,612	$ 8,445	$10,920
Nonresidential	15,746	2,117	25,721	2,249	1,059	3,674	4,937
Farm	2,216	570	8,237	317	285	1,177	1,250
Public utility	9,667	1,658	20,160	1,381	829	2,880	3,600
All other	784	51	602	112	26	86	113
Total	$62,543	$9,621	$113,837	$8,935	$4,811	$16,262	$20,820
Adjusted to 1939 Prices							
Total residential (nonfarm)	34,523	4,590	27,763	4,932	2,295	3,966	4,608
Nonresidential	14,819	1,816	11,802	2,117	908	1,686	2,083
Farm	1,854	471	3,442	265	236	492	527
Public utility	9,316	1,489	10,460	1,331	744	1,494	1,519
All other	803	47	299	114	23	43	48
Total	$61,315	$8,413	$53,766	$8,759	$4,206	$7,681	$8,785

*1951 partly estimated; 1952 estimated.

Table 4. Expenditures on New Plant and Equipment
by U. S. Business, 1945-51
Millions of Dollars

	1945	1946-51, 6-Yr Avg	1951	% Increase 1945-51
Manufacturing	$3,983	$ 8,401	$11,141	180
Durable goods industries	1,590	3,491	5,213	228
Primary iron & steel	198	735	1,310	562
Motor vehicles & equipment	262	538	797	204
Other durable goods	265	510	764	188
Machinery except electrical	316	498	638	102
Fabricated metal products	216	354	430	99
Stone, clay, & glass products	100	280	380	280
Electric machinery & equipment	123	282	355	189
Primary nonferrous metals	54	176	312	478
Transportation equipment excluding motor vehicles	56	118	227	305
Nondurable goods industries	2,393	4,911	5,928	148
Petroleum & coal products	879	1,723	2,040	132
Chemicals & allied products	376	918	1,266	237
Textile mill products	209	511	676	223
Food & kindred products	337	614	631	87
Paper & allied products	116	351	494	326
Other nondurable goods	261	409	334	28
Beverages	97	259	299	208
Rubber products	118	126	187	58
Mining	443	714	806	82
Railroad	552	1,142	1,564	183
Other transportation	321	606	517	61
Electric & gas utilities	630	2,598	3,654	480
Commercial & miscellaneous	1,477	4,767	5,443	269
TOTAL	7,406	18,227	23,126	212

Table 5

	Pounds per Capita	
	Avg Annual Steel Ingot Capacity	Avg Annual Steel Ingot Production
5-Yr Periods		
1921-25	1,179	731
1926-30	1,147	901
1931-35	1,246	438
1936-40	1,231	805
1941-45	1,331	1,251
1946-50	1,290	1,129
Years		
1951	1,351	1,362
1953	1,499	
1955	1,446*	
1960	1,325*	
1965	1,230*	

*Assuming no further additions to capacity, but continuing approximately the same yearly gains in population.

1946–1952, U. S. population will have increased by some 17 million, or more than was added in the previous fifteen years).

4. Redistribution of national income and its cumulative effect on postwar mass purchasing power.
5. Regional shifts in population over the past decade, to the South, Southwest, and West.
6. Increased employment.
7. The Government's easy credit policy, reflected in low interest rates, the financing of large-scale rental projects, and exceedingly liberal terms on home mortgage credits with repayments ranging up to thirty years and with little or no down payments.
8. Uptrend in rents through partial decontrol and raised ceilings in some areas.
9. Geographical relocation and decentralization of industry.
10. A higher velocity of industrial plant obsolescence, resulting from maximum use of facilities during the war and wartime technological advances.
11. Expanded per capita energy requirements.
12. The underwriting of world recovery, creating an extraordinary level of exports.

And, more recently,

13. The extension of military commitments, placing the country on a war footing.
14. The stimulation of further plant expansion through allowance of rapid write-offs for tax purposes.

PRIVATE AND PUBLIC CONSTRUCTION

The separate contributions of private and public construction to the totals for the three periods are given in Table 2. In the first period (1923–1929) the role played by private citizens and industry is clear, acounting for 83% of adjusted volume. The Government's support in the second period (1941–1942) is equally clear, representing 61% of adjusted volume. The precipitous entry into World War II, creating an urgent need for production, caused the Government to devise measures that permitted rapid industrial plant expansion with a minimum of private investment. In addition it built vast plants which were leased to manufacturers and afterwards purchased by them at a fraction of original cost, and in 1942 it curtailed home building to assure adequate industrial building supplies.

The figures for the third period (1946–1952) show that private construction accounts for 73% of the adjusted total volume. This requires interrogation along the lines of the preceding list of underlying causes (namely, the Government's easy credit policy and farm support program) in order to gage properly the Government's full instrumentality in the current building boom. It can be honestly reasoned that the latter's contribution is far higher than the bare figures indicate, and, if the years 1951 and 1952 alone are taken, approach the magnitude shown a decade earlier. Some inkling of the greater role of Government beyond the public construction figure can be seen in the

Table 6

Year	Population Estimates, Millions	Consumption per Capita, Tons	Estimated Demand, Million Net Tons
1955	165.9	0.6	99.5
1960	180.4	0.6	108.2
1965	195.0	0.6	117.0

further breakdown of total private construction set forth in Table 3.

The influence of Government policies in the last period shows up particularly in the adjusted residential and farm figures and, to a lesser extent, permeates the gains recorded in the other categories, which are also close to or at new high annual averages.

Included in the nonresidential field is industrial construction, which moves in line with general business trends but characteristically reaches its greatest volumes toward the end of a business boom. Recently the Office of Business Economics and the Securities Exchange Commission released a detailed breakdown of expenditures on new plant and equipment by U. S. business from 1945 through 1951. From a low level of capital goods outlays in 1945, total expenditures in terms of current dollars have tripled in six years' time. Table 4 compares 1945, the 1946–1951 six-year average, and the 1951 rates of capital expenditures by businessmen.

Of the various manufacturing divisions in Table 4, the iron and steel industry shows the largest percentage gain in dollar outlay, followed by the nonferrous metal producers and the paper and allied products industry. Expenditures by the steel companies from 1945 to 1953 will result in an increase in steel capacity of 24,500,000 tons in eight years' time, the largest increase for any eight-year period since 1900. Previously, it took the industry sixteen years (from 1929 to 1945) to show a similar tonnage gain in net capacity.

The record shows that there have been few periods in steel history when operations were maintained for relatively long periods at or close to capacity. Since the turn of the century these have been associated with the demands of wartime and defense economies and the subsequent postwar years. Some appraisal of future steel requirements, *ex* the extraordinary combination of stimuli currently in operation, might be obtained from the per capita data of Table 5.

An interesting circumstance lies in the ten years, 1941–1950, which may be a possible level of steel demand. In a period of full though not overemployment, showing approximately 1200 pounds per capita, the steel industry's projected ingot capacity of 120 million tons with no further increases beyond 1953 would not be threatened by population growth until 1965, or, if 10% of the 1953 capacity were completely scrapped, until 1960, as shown in Table 6.

Precedent for such lag can be found in the industry's earlier history. For example, 1917 net ingot capacity was not overtaken by production until 1928, and 1929 capacity was equal to all production demands until 1941.

DEMAND FOR NONFERROUS METAL

The over-all demand for nonferrous metals in 1951 was considerably in excess of supply. Although domestic production expanded for aluminum, copper, lead, and zinc, imports were 20 to 50% below the high volume received in 1950, a year when the flow of these metals to the United States substantially exceeded the average in the postwar years 1947–1949. The strong worldwide demand in 1951, based on foreign and domestic armament programs, coupled with price differentials in the United States, reduced the volume of imports. The more recent softening in world metal prices, however, indicates that a larger volume will be available for import in 1952. Together with planned additions to both domestic and foreign capacities, the supply situation should ease considerably before the year end. By 1955 the situation could turn into substantial surpluses, excluding an all-out war. Table 7, through a comparison of 1950 and 1955 available supplies, provides a measure of the slack that must be taken up by civilian consumption.

In summary, both the ferrous and the leading nonferrous metal industries must develop broader civilian markets to absorb the greatly increased supplies that will be available by 1953. The steel industry is perhaps closer to such an exigency than, for example, the aluminum producers who have a longer period in which to cultivate new markets, owing to the stockpiling umbrella over new production. Should 1950 prove to be too high as a base period for civilian per capita demand, prices and profits for an interim period could become sharply reduced by the resulting competition for available markets.

The same observations can be applied to other fields. As with the metals, substantial production increases have already occurred or are in prospect for a number of building products, industrial chemicals, paper synthetic rubber, bituminous coal, and crude petroleum. Despite record consumption levels for many of these raw materials, the volume of new supplies in an increasing number of instances is beginning to exceed consumption and is permitting some rebuilding of working stocks held by processors and fabricators.

Outside of the manufacturing field, electric and gas utilities show the largest gains in capital expenditures, 480%, from 1945 to 1951. Later outlays reflect in substantial

Table 7. New Supplies Available*

	For Domestic Consumption, Thousand Short Tons				On a per Capita Basis, Pounds			
	1943	1950	1951	1955	1943	1952	1951	1955
Aluminum, primary	938	886	966	1,678	14.5	11.7	12.5	20.3
Copper, refined	1,605	1,417	1,328	1,635	23.5	18.7	17.2	19.7
Lead, refined	702	968	678	1,276	10.3	12.8	8.8	15.4
Zinc, slab	901	987	990	1,286	13.2	13.0	12.8	15.5

*Represents domestic production plus imports minus exports.

measure the industrial expansion induced by the military program. The latter has brought a large rise in electric power requirements over and above the long-term growth pattern for this industry. It has been estimated that the aluminum industry will require an additional 9.5 billion kilowatt-hours per year by January 1, 1953; the magnesium industry an additional 2 billion kilowatt-hours; the steel industry 7.3 billion kilowatt-hours for ingot production alone; and the paper industry 3.5 billion kilowatt-hours.

In 1950 large light and power users accounted for 58% of the total consumption of electric power in the United States. This group includes all major industries, commercial establishments, institutions, and multiple-housing units, with industrial use by far the most important. In turn, the cyclical changes in the amount of power used by industry can cause a wide fluctuation in the over-all demand for power. Present projections indicate a rise in the annual rate of electric power consumption for all industries of about 12% per year through 1953, compared with an average of 7% for the period from 1922 through early 1951. This would indicate a total use of 475 billion kilowatt-hours by December 31, 1953, a level two fifths above that of 1950 and one and a third times greater than the peak war year. Even the public utility industry, despite continuation of the basic long-term growth in the country's electric energy requirements, could find that it temporarily had overreached itself by the middle '50's.

The foregoing has been described with the desire to bring a sense of proportion to the present level of construction and of expenditures for plant and equipment in the United States, and to point out that boom periods, whether fostered by private industry or by Government, invariably are followed by a corrective phase in direct proportion to the excess activity over the normal growth in the economy. In terms of time and magnitude, the present period of capital outlays by the end of 1952 will equal the highest period of construction activity in our history, but there is evidence that the extraordinary combination of factors cited earlier is beginning to taper off as a sustaining force. The burden is already shifting more and more to Government, whose present level of public expenditures is high and whose tax intake is close to the point of diminishing returns. It may be hard pressed to maintain the current level of total capital outlays (public and private) in the years immediately ahead.

REFERENCES

Survey of Current Business, various issues, U. S. Department of Commerce.

Economic Indicators, Council of Economic Advisers.

Statistical Supplement, Construction and Construction Materials, U. S. Department of Commerce.

Metal Statistics, 1951, American Metal Market.

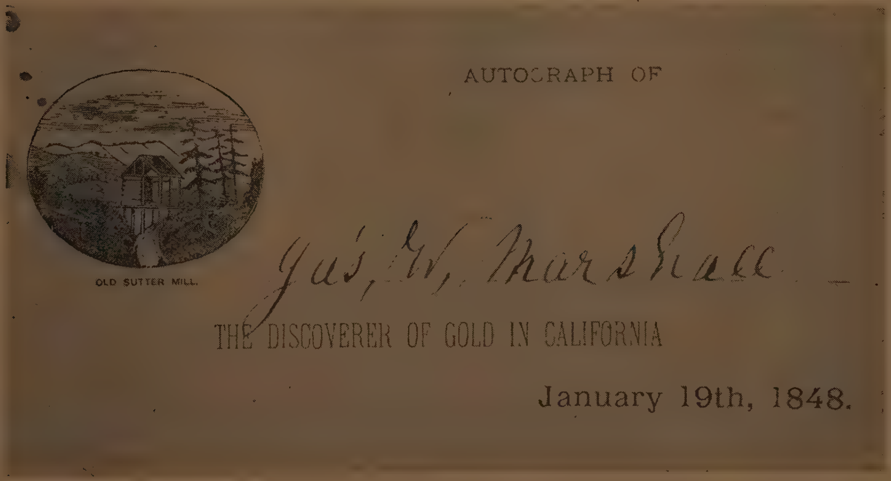
Daily issues, American Metal Market.

American Iron & Steel Institute.

Standard & Poor's Industry Surveys.

* * *

> In 1847–48 . . . during the winter months Captain Sutter began the erection of a sawmill for producing timber. "Mr. James W. Marshall contracted with Sutter for the building of this mill." One day he was attracted by "glittering particles . . . And at once became satisfied of their nature and the value of his discovery." Sutter, who at first doubted the story, had "his doubts dispelled when Marshall tossed on the table before him an ounce or so of the shining dust."



AUTOGRAPH OF

OLD SUTTER MILL.

Jas. W. Marshall

THE DISCOVERER OF GOLD IN CALIFORNIA

January 19th, 1848.

Highlights of a Busy Year...

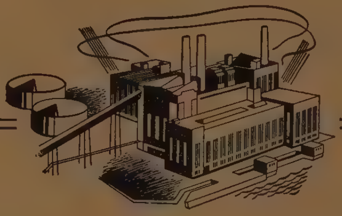
This Company's Annual Report for the year 1951 has been submitted in pamphlet form to our 27,532 stockholders and 3,479 employees, and in advertisements such as this to 440,000 customers.

Herewith we present condensed Income Statements and Balance Sheets for 1951 and 1950.

BOSTON EDISON COMPANY

Thomas G. Dignan
President

March 18, 1952



INCOME STATEMENTS (Condensed)

	1951	1950
Gross Revenues	$74,446,283	$69,335,041
Expenses: Operation and Maintenance	40,334,441	37,603,418
Depreciation	6,636,642	6,371,650
Other Deductions	2,493,216	2,928,739
Net Income before Taxes	24,981,984	22,431,234
Taxes	17,190,387	14,704,582
Per Share of Stock	$6.96	$5.96
Income Balance	7,791,597	7,726,652
Per Share of Stock	$3.16	$3.13
Dividends	6,912,237	6,912,237
Per Share of Stock	$2.80	$2.80
Balance for Surplus	$ 879,360	$ 814,415

BALANCE SHEETS (Condensed)

ASSETS

	Dec. 31, 1951	Dec. 31, 1950
Plant Investment	$265,230,494	$249,847,507
Current Assets	28,838,635	26,458,376
Miscellaneous	828,860	1,486,038
	$294,897,989	$277,791,921

LIABILITIES

	Dec. 31, 1951	Dec. 31, 1950
Capital Stock and Premium	$102,822,347	$102,822,347
Earned Surplus	11,497,791	10,618,431
Bonds and Notes	83,528,000	84,290,000
Current Liabilities	23,233,443	11,148,735
Depreciation Reserve	71,773,378	66,625,517
Miscellaneous	2,043,030	2,286,891
	$294,897,989	$277,791,921

BOSTON EDISON COMPANY

The Role of Savings in the American Economy

WALTER MAYNARD

A FACT THAT STANDS OUT consistently in a review of recent economic trends is the extraordinarily high rate of personal savings of the American people last year. The matter of savings is profoundly important to a capitalist economy such as ours, in which most citizens live with a margin over minimum subsistence levels. That last year's high rate of savings is a new peacetime phenomenon is shown by the accompanying table.

To appreciate the significance of this enormous accretion to our peoples' personal resources, it should be understood that it was accomplished in spite of the availability of an ample supply of attractive consumers' goods, both durable and nondurable, and thus, in contrast with savings of the war years, represented a positive act of renunciation on the part of the savers.

INFLUENCE OF SAVINGS ON BUSINESS CYCLE

During the depressed years of the '30's there was a great deal of controversy in economic circles over the importance of saving in influencing the business cycle. Before the '30's it was classic doctrine, taken for granted, that savings was essential in order to provide capital for economic development—Adam Smith said that every frugal man is a public benefactor. In the '30's, however, the doctrine was promulgated by avant garde economists, including Professor Alvin Hansen of Harvard among others, that saving was harmful because it withdrew from the spending stream money that otherwise would contribute to economic activity. Saving was thus branded as a cause of unemployment and therefore harmful. The remedy for this, it was asserted, was redistribution of wealth via higher taxation of the rich, who were responsible for most of the saving, plus accelerated governmental spending.

LORD KEYNES'S VIEW

Although the late Lord Keynes took the view that savings were harmful in a depressed economy, he made a considerable contribution to the understanding of the role of saving when he pointed out that the responsibility and initiative for spending the sums saved by the savers lay, not with the savers themselves, but with the institutional custodians of the people's savings nad the businessmen who had recourse to those institutions for new capital. If the disposition of businessmen was to take a negative view of the prospects of profit from capital expansion, then the availability of ample capital would not influence the rate of business activity, and the public disposition to save would be a depressant.

CONDITIONED ECONOMIC ATMOSPHERE

The combination or synthesis of the foregoing views, plus the prevalent "mature economy" concept of the New Dealers, the attraction to politicians of the tax-spend-elect sequence, and the vested interest in poverty of the social-worker type of sociologist, conditioned the economic atmosphere that prevailed in influential circles up to the beginning of World War II, and served to check the initiative of businessmen.

Developments of the '40's proved conclusively, however, that our economy was not a mature one, that capital was not redundant but, at least in the risk or venture category, very scarce, and once again saving now is generally regarded as an economic virtue rather than a vice.

KEYNES'S DISTINCTION A VALID ONE

Nevertheless, the distinction that Keynes made between savers and spenders or users of savings was probably a valid one, and, if this is so, then a correct evaluation of the current role of savings requires a forecast of the attitude of American businessmen now and in the next two or three years with regard to the profit to be derived from the employment of the capital. However, before venturing upon this aspect of the problem, it might be well to review the actual sums that are available and their possible distribution, and to make a guess at what sums may be available in the future.

$3.3 BILLION FOR PURCHASE OF HOMES

Of the $17.2 billion of savings that, according to the estimate of the Department of Commerce, were accumulated last year, it is computed that some $3.3 billion went for the purchase of homes via down payments and repayments on mortgage contracts already entered into. In addition, about $3.5 billion were accounted for by payments into pension and other trust funds held by banks, plus industry transfer payments. A further $4.4 billion was paid for life insurance. The balance of some $6 billion of savings was available at the discretion of savers to be held in any way that they wished.

It is estimated that, of this $6 billion, some $500 million was used to reduce consumers' debts, and the balance was distributed to increasing demand deposits, time deposits, savings banks deposits, purchases in shares of savings and loan associations, and the purchase of securities, including Federal Government, municipal, and corporate issues.

FAVORABLE FACTOR SHOULD BE NOTED

At this point a profoundly favorable factor for the future of the securities business should be noted: that a large share of this money, most of the $3.5 billion paid into pension funds, a large part of the $4.4 billion paid to the life insurance companies, and a significant part of the balance of $6 billion (of which some $2 billion probably found its way into savings banks and time deposits), is in fact used or is usable for security purchases—mostly of institutional grade.

In making a guess at sums that may be available from savings in the future, a few assumptions must be made. To begin with, it must be assumed that as a Nation we are in earnest about the "full employment" doctrine, and that, as a

Income and Savings in the United States
Billions of Dollars

	1929	1933	1946	1948	1949	1950	1951
Personal income	85.1	46.6	177.7	209.5	205.1	224.7	251.1
Taxes, etc.	2.6	1.5	18.8	21.1	18.6	20.5	28.4
Disposable income	82.5	45.2	158.9	188.4	186.4	204.3	222.6
Personal expenditures	78.5	46.3	146.9	177.9	180.2	193.6	205.5
Savings	3.7	-1.2	12.0	10.5	6.3	10.7	17.2

Source: Estimates of Department of Commerce.

consequence of the implementation of this doctrine and the existence of unemployment insurance, a backlog of needed works, and similar factors, consumer incomes will be relatively well maintained, even in a period of declining over-all business activity. Moreover, we must assume that the saving habits in evidence last year are a more or less permanent result, through education, of an extension of middle class traditions to family units which have become, financially speaking, members of the middle class as a result of the tremendous increase in lower bracket real incomes of the past ten years.

INTEREST RATES

Finally, we probably must take into account what classic economists believed ought to be the primary factor in influencing the flow of savings, namely, interest rates. This particular phraseology is used because we all know as a matter of practical experience that savers have two thoughts in mind; in the lower brackets their intent is largely to hoard a store of purchasing power for future use, whereas in higher brackets the savers' intent is to invest for income (plus, in some cases, capital gains). It can be assumed, therefore, that lower bracket savers will not be particularly influenced by the rate of interest, but that upper bracket savers will, in fact, tend to renounce current expenditure when the rewards for doing so in terms of future income become larger.

OVER-ALL CAPITAL SHORTAGE

The over-all capital shortage resulting from the price advances of recent years, and capital needs engendered by this country's dynamic expansion, have brought about relatively high interest rates; since, historically, interest rates have a tendency to respond only slowly to changes in demand for capital, it can be assumed that for a few years, at any rate, rates that are relatively high in terms of what became normal in the '30's and early '40's can be expected to persist. Therefore, this factor, to the extent that it is an influence, should tend to keep the rate of public saving at a higher level than it otherwise might have been.

SAVINGS WILL REMAIN LARGE

It thus seems reasonable to conclude that the supply of savings will remain large. To be specific, savings this year seem likely to exceed 1951 levels by a modest margin to reach new peacetime records, and the 1953 savings outlook is almost as good. With regard to the distribution of these savings, it might be well that in a period of harder times an increased amount of savings would be devoted to debt liquidation. However, a corollary of this would be decreased expenditures on such things as houses, a development that in any event seems likely to result from the reduced rate of family formation consequent on the low birth rate of the early '30's. Therefore, the amount of uncommitted savings should also remain large.

FAVORABLE EFFECT ON SECURITIES

The favorable effect of a high rate of savings on the securities business has already been alluded to, but further comment on the effect of saving on the price of various categories of securities seems called for. Insofar as the price of fixed income securities is concerned, a relatively high rate of savings in a setting of declining business means that the professional buyers who dominate the demand side of the market will find that competition among themselves will tend to force interest rates down. On the other hand, this proceess cannot be extended indefinitely, because institutional investors must compete to attract savings, and, since, as explained above, the public's idea of an appropriate interest rate changes only slowly, relatively high rates paid to savers will limit competitive pressure on rates that institutions receive from the money they have invested.

DIVIDENDS A MAJOR DETERMINANT

With regard to the equity markets, it can be concluded that there is in prospect a continuance of the evident convergence of demand on stocks of institutional grade that has been so apparent in the past two or three years. This factor suggests that, for the best-quality stocks, dividends rather than earnings will continue to be a major determinant of market evaluation. Since declining earnings in a period of declining business activity are accompanied by diminishing capital requirements, dividend-paying ability is not impaired pari-passu with earnings.

CARRIES OTHER IMPLICATIONS

The phenomenon of a high rate of savings carries other implications that are worthy of attention from the security analyst; for example, the demonstrated ability to renounce current expenditure that is implicit in a high rate of savings means that sellers of goods other than subsistence items must exert a selling effort of an entirely different order from that which has been adequate in the last ten shortage years. This stepped-up selling effort should be favorable to all types of commercial activity having to do with sales promotion (of which TV broadcasting is the newest and most dynamic). However, it also means increased emphasis on style and fashion, which in turn imposes a requirement of skill and carries with it increased risks.

NET LOSS TO COMMUNITY

With regard to the effect of savings on the business cycle, Malthus pointed out that saving represents a net loss to the community if it is not promptly offset by expenditures for capital goods; and, as suggested, the opinion of businessmen about the prospective profit to be derived from such expenditures is the final determinant of what the overall effect of the savings propensity will be. In this connection we know that bad morale is induced by a punitive and harassing attitude on the part of the Government, and the possibility of the effective employment of capital is certainly deterred by the application of the progressive principle to corporate income taxes. As a consequence, a key factor to be watched by observers of the situation will be the action of Congress next year with respect to the expiration of EPT. The excess profits tax is in effect a double-barreled deterrent because it is a punitive tax applied precisely at that point in the economy where a high rate of profit means that expansion is most desirable in the public interest. Therefore, if EPT is permitted to expire by limitation, not only will profit prospects be correspondingly improved, and incentives increased, but also in a tangible sense increased equity money via the retained earnings route will be made available to support the acquisition of savers' capital for the purpose of financing new productive facilities. Therefore, if the public's propensity to save is to be employed in the public interest, it is essential that EPT be ended.

OBSOLESCENCE AND INVENTION

An additional element to be considered in connection with the theme of EPT and saving is the circumstance that hand in hand with the factors of prospective profit and capital availability is the factor of obsolescence and its reciprocal—invention. Although the excess profits tax is indefensible in an economic sense, it has had the effect of imparting a vast acceleration to the research efforts of American industry, and the resulting high rate of invention has in turn produced a higher degree of industrial obsolescence and a greater backlog of possibilities of improvement in industrial products and processes and therefore of capital employment than would have otherwise been available. Therefore, the factor of invention too must be regarded as forming a favorable element in relation to the role of savings in our modern economy.

To summarize, therefore, it seems logical to draw the following conclusions: (1) The supply of savings will remain large; (2) willingness on the part of businessmen to use these savings, if EPT is permitted to expire, will increase; (3) a high rate of savings is in the long run good for the economy as a whole; (4) these factors have relatively favorable implications for the price of securities of institutional grade; (5) implications are also favorable for the securities business.

* * *

1776 . . . Mission of San Francisco founded "though it had been projected since the discovery of the bay, about the end of October 1769."

On July 8, 1846 . . . The American flag was "hoisted in the public square by Captain Montgomery.

January 1847 . . . The name of the town of Yerba Buena was changed to San Francisco.

Canadair Plants
and adjoining airfield,
Montreal, Canada

HOW BIG IS CANADAIR?

Canadair is not the largest aircraft plant in the world . . . but, it is Canada's largest . . . and its 40 acres of covered factory space house some of the finest aircraft equipment in the world.

Today at Canadair, ten thousand skilled technicians and workers man great assembly flow lines, as they turn out sleek F-86* Sabre jets . . . the world's fastest fighter planes in production . . . and tool up to produce advanced T-33* jet trainers for the Royal Canadian Air Force and T-36* trainer transports for the United States Air Force.

From initial design to delivery, this modern plant with its enviable record and excellent facilities is capable of producing aircraft to meet all specifications.

**Made under license respectively from North American Aviation Inc., Lockheed Aircraft Corp., Beech Aircraft Corp.*

Canadair
LIMITED, MONTREAL, CANADA

A subsidiary of
ELECTRIC BOAT COMPANY
New York, N.Y. — Groton, Conn. — Bayonne, N.J.

CA52 - 1UST

Export Crazy and Import Blind

VERGIL D. REED

'Twas brillig, and the slithy toves
 Did gyre and gimble in the wabe:
All mimsy were the borogoves,
 And the mome raths outgrabe.

THAT IS JABBERWOCKY from Lewis Carroll's *Through the Looking Glass.* After Alice had read that verse she said, "Somehow it seems to fill my head with ideas—only I don't know exactly what they are!"

All this sounds suspiciously like the typical discussions and arguments on international trade. In no other field except politics are Americans so apt to talk pure Jabberwocky, glibly rearranging their prejudices as a poor substitute for thinking. Unfortunately, many businessmen, "pseudoeconomists," labor leaders, politicians, and Government officials (not necessarily synonymous) alike have so long been guilty of mechanically reciting this Jabberwocky that they believe it themselves, and the general public—well, John Q. Public can only say, like Alice, "Somehow it seems to fill my head with ideas—only I don't know exactly what they are!" John Q. Public is paying a huge price for this confusion. He is going to realize it sooner or later. When he does, he is going to be pretty mad at those who have "done him wrong."

PRINCIPLE OF BALANCED EXPANSION

Trade can contribute most to the peace and growing living standards in both the United States and the rest of the world if it has as its foundation the principle of *balanced expansion.* With our wealth of natural resources, industrial plant, and labor force, we must encourage extensive exports, much larger imports, and sound foreign investments. The unrestricted flow of merchandise and services is essential to our own continued prosperity and to that of the world. It should be our aim to establish a durable peace and to increase the standards of living throughout the world. That must surely mean the reduction of artificial barriers to trade unless we want to continue indefinitely draining our taxpayers' pockets and reducing their living standards instead of raising them to the levels they could well enjoy. In building these barriers we ourselves have sinned much through the years, and with a righteous disregard of the truth our people continue to think in terms of a debtor nation instead of in terms of a creditor nation such as we now are.

Our exports of goods and services amount to only 5 to 7% of our national income. That sounds small to some of us, but it has a terrific impact on the economies of other nations whose foreign trade makes up a greater proportion of their total income. The welfare of these other nations is an assurance of continuing balanced international trade. We cannot long continue an island of prosperity in a sea of poverty where isms sprout in profusion and breed and spread relentlessly. Economic isolation cannot solve the present economic problems of our Nation nor of any area. That day has passed! We must finally all rise or fall as our national and world economy is healthy or continues ill.

What is good business at home is good business abroad. At home we all recognize the fact that we must buy as well as sell, else business languishes and dies. Yet unfortunately much of the American public still believes profoundly that exporting is desirable, that exporters are gentlemen, scholars, and benefactors of the human race; that importing is undesirable; and that importers are liars, thieves, and scoundrels taking food out of the mouths of American babies. Trading means both buying and selling, and without both there is no trade but merely gifts, grants, defaulted loans, and the bitterness of misunderstanding as a reward for forced exports.

Why reason and rational thinking must stop at imaginary lines known as international borders has always been beyond my understanding, but we must surely admit that this is true.

STABILITY OF POLITICAL FACTORS NEEDED

Until some stability of political factors in the world is reached, it is idle to expect a return of the basic confidences on which long-term private investments and the normal operation of world trade can rest firmly. We must contribute much to the re-establishment of stability, but we must also keep constantly in mind that he who pays the piper calls the tunes, and we should demand reasonable concessions in the way of unrestricted markets and access to materials in return for an easier entry into our own market. This will not be national selfishness, but it will contribute to the good of all. It will merely mean that we will be paid for our exports, loan principal and interest, that other countries can pay their own way, as they much prefer.

Please step behind the mirror, now, with Alice and me, and let us take a look at realities rather than reflected images and desired objectives.

Pasted on the back of the mirror are two exhibits. One of them is a puzzled letter from the very able and realistically intelligent manager of one of the larger overseas offices of our company. I quote from it.

> America is a great country for facts and figures, and all phases of its economy are meticulously tabulated, quizzed, gallup-polled, analyzed, and published for all to see. This applies particularly to American foreign trade, but for some reason this section seems to be less understood than any other, and the figures seem to lack the correct interpretation.
>
> Following a discussion with an economic expert, I was told the astonishing fact that American foreign trade costs the American economy about $8 billion a year (the surplus of exports over imports). The Federal Government is responsible for the payment of this amount, which comes to nearly 20% of all American taxes. I wonder whether the American taxpayer (corporate or personal) realizes that each year taxation amounting to about a fifth of the total collected could be saved if foreign trade were balanced. . . . This certainly seems wrong and most uneconomic unless this $8 billion is intended as a gift from the American taxpayer to the rest of the world.

They say it [American export trade] benefits labor and provides profit for industry. But this can only be so if exports are paid for with shipments of goods in return. It cannot be so if exports are paid for by the U. S. Treasury with money from the taxpayers. It, therefore, stands to reason that the U. S. economy is worse off than if no foreign shipments had been made. The economy worked for nothing, and the taxes used to pay for exports helped to depress the domestic market. Result: The more America exports, the less they sell at home.

Not only countries and industries, but everybody "exports" in order to be able to "import." If people were told that they could continue to work but would get no pay, they would stop working on the spot. Nobody wants to export without importing, and this is a fundamental economy of an individual. To live, imports and exports must balance.

If one applies this reasoning to the trade of the United States, it appears logical that imports ought to be increased. Imports can certainly help the economy and raise the standard of living. It would make it possible for foreign countries to earn dollars which are now being given away, and it would save the U. S. Treasury money and may make a tax reduction possible.

If America is not going to balance its foreign trade by increasing imports, they might as well cut exports. In the interest of world economy this might be a good idea because a decline in American exports would help to cure the rest of the world's dollar shortage.

It surprises me that American business, wide awake as it is, has not done more about making foreign trade pay its own way.

Why does America lose $8 billion a year on foreign trade—it sounds crazy to me!!

The other exhibit pasted on the back of our mirror, a page from the report of the ECA-Commerce Mission, dated February 1950, is the "bill" for this utter foolishness—$68 billion between 1914 and 1948. That is more thtan twice America's total retail sales in 1935. It is more than the value of the land and buildings of all of America's farms. It is almost twice the combined values of all the livestock, machinery, motor vehicles, and stored crops on all of America's farms. It is more than the value of the combined shipments of 45 of our largest industries in 1947—the last year for which we have a Census of Manufactures.

At the bottom of this exhibit, written in quaint but luminous script, is a note bringing our "bill" up to date as of June 30, 1951. Even Alice is startled, and I shudder at the increase of $12.6 billion since 1948. The total is now well over $80 billion. Don't we do things on a marvelous scale?

COST TO AMERICAN CONSUMERS

Yes, America is export crazy and import blind, and at what a cost to American consumers!

This I believe, is due to seven basic causes.

1. We are, in large part, economically illiterate in international trade—and stubbornly so. We know that domestic trade is a two-way operation—buying and selling. Immediately that an imaginary line known as a national boundary is involved, however, objective thinking seems to stop. We merely start rearranging our prejudices, even to our own disadvantage.

2. America as a rapidly growing Nation, with bountiful resources and an aggressive, restless people, has been dominated by what is almost a psychological fixation to sell. To sell is considered more dynamic and aggressive than to buy, but as individuals we fail to think out the consequences from a national standpoint in relation to other nations and their economies.

3. Traditionally, politicians and individual vested interests of production, both in manufacturing and agriculture, have found it to their advantage to keep the public confused about the truth about the economics of international trade and affairs. Often this is as much due to their own confusion and misunderstanding as to any desire to mislead others. They think in terms of their own business alone without recognizing its relation to the whole economy and public welfare—or even their own long-term best interests. Even the obvious is invisible if we stand behind a big enough tree.

4. We have been so busy and so interested in developing our own new and isolated country, its resources and its opportunities, that we have had little motivation to concern ourselves with the affairs and problems of other nations—except to sell them all we could in the false belief that we were disposing of surpluses. The real purpose of exports is, of course, to pay for imports, as Britain, Holland, and most other European countries have long realized.

5. For two centuries we have been steeped in the misleading and false concept of a "favorable balance of trade." There never has been and never will be such a balance—except when exports are balanced by imports. That term is merely part of the Jabberwocky contributing to the general confusion.

6. We have assumed that large exports are the cause of prosperity at home. Actually, both large exports and large imports are more a result of full employment and a prosperous domestic economy than they are a cause, and this is true in all countries. Giving our exports away most certainly does not and will not bring prosperity. It does reduce our own standard of living and deplete our natural resources.

7. Few of our people have yet realized that our change from a big debtor nation to the world's largest creditor nation, at the time of World War I, makes it absolutely necessary that we increase our imports—unless we want to continue indefinitely giving away our goods, our foreign investments, and the income from those investments, our taxpayers bearing the costs and our resources being depleted without any return to offset their loss. When we were a debtor nation, we had to export enough goods to pay for our debts as well as for our imports. Now that we are a creditor nation, the shoe is on the other foot. We must take more imports so that others can pay their debts to us with their exports.

During the period between the two world wars our exports of goods and services accounted for 5 to 7% of our annual national income. Our imports accounted for considerably lower percentages of national income. Roughly speaking, our entire foreign trade (exports plus imports) amounted, over the period, to about 10% of our income. Although that is a small proportion of our national income, the aggregate amounts loom large in the other countries with which we trade, and exert a real influence on their economies. Holland's exports, for instance, were 40.5% of her national income, and her imports were 37.8% of her national income before World War II. Increasing our imports to twice their present volume would still leave them a very small proportion of our national income, but the increase would be unbelievably helpful to other nations—and to American taxpayers.

COST TO TAXPAYERS IS STUNNING

The cost of our exports to our taxpayers is really stunning. From 1914 through 1950 our exports amounted to $300.7 billion while our imports amounted to $191 billion. The difference of $109.7 billion was made up as follows:

1. Private remittances and donations	$11.7 billion
2. Flow of private capital	12.2 billion
3. Gold and liquidation of American holdings	11.9 billion
4. International Monetary Fund and International Bank	1.3 billion
5. Grants by U. S. (taxpayers' money)	58.4 billion

The balance of some $14.2 billion came out of U. S. Government loans of $19.6 billion (again taxpayers' money) now largely defaulted. Thus $78 billion ($58.4 billion in grants and $19.6 billion in loans) from 1914 through 1950 either came directly out of the taxpayer's pocket or was added to the national debt to be paid later in taxes—for the sole purpose of subsidizing our exports. This bitter pill is made palatable to the taxpayer with a heavy sugar coating called "American Generosity." How sweet is the atonement for economic sin! These figures do not include construction and operating subsidies for our overseas transportation services nor subsidies to farmers for goods later dumped abroad at great losses. In fact, a few years ago we were paying subsidies to cotton growers, which raised the price of cotton so high that we could not compete in selling it abroad; then the taxpayer was "stung again" with an export subsidy that ran as high as 4 cents per pound, so that we could sell that cotton abroad. The taxpayer, of course, paid both subsidies. These subsidies reduce the American standard of living too. Had we been willing to be paid for our goods and services, our standard of living would have been raised by the consumption of $80 billion worth of foreign goods and services—and in addition our economy would be richer by the $80 billion of purchasing power which we took from the American taxpayer to give away. We not only would not take payment for our exports, but we threw away an additional $80 billion in order to keep from taking payment.

We have the following courses open to us to solve this problem in the future, much to the advantage of all nations, including our own!

1. *The Continuation of Subsidies:* continuing to give away our taxpayer's money, and thus American purchasing power. This is not a realistic and certainly not a desirable solution from any national viewpoint.

2. *Reduction of U. S. Exports:* letting our exports drop to the level of our imports. This would help solve the dollar gap problem, but it would reduce living standards in other countries, and it is completely contrary to our announced policy of reducing trade restrictions throughout the world, a policy which we as its champion are constantly violating.

3. *Expansion of Overseas Investments:* investing in other countries an amount equal to our excess of exports over imports. The gap is too large to be closed by this method alone, and it only delays the reality that we must increase our imports to get back the invested capital and its earnings.

4. *Expansion of American Tourism:* tourist expenditures abroad are an easy and painless way to make up a part of our import deficit. These are really "pleasure dollars" that benefit Americans as well as the countries in which they are spent. If we spent the same proportion of our national income for travel abroad as we spent in 1930, we could cut our import deficit by approximately $2 billion per year.

5. *Expansion of U. S. Imports:* both goods and services. This is, and will remain, the major means of closing the dollar gap—getting paid for our exports. Expanded imports will

- *(a)* Provide dollars to maintain our export markets.
- *(b)* Help build stock piles of essential materials.
- *(c)* Retard the depletion of our own resources.
- *(d)* Raise living standards here and abroad.

If the division of the world into two economic and ideal-ological blocs is unavoidable, it is urgently important that we do everything possible to conduct our trade with the free countries along unrestricted multilateral lines. No other country in the free world is in a position to take the initiative in this work. We must accept the responsibilities of a leadership thrust on us by world events, against both the will and the wishes of most Americans. Confidence and mutual fairness among countries, as well as economic soundness, must be the basis for removing the restrictions on multilateral trade as we are urging other countries to do. But, although it is our announced official international policy to remove these restrictions, and we are urging other countries to do so, we fail to practice what we preach by a very wide margin. We do this with what appears to be almost innocent naivete, but other countries interpret such failures as hypocrisy, bad faith, arbitrariness, dollar imperialism—or sometimes they generously attribute it to economic and political immaturity.

As examples of these irritating and harmful inconsistencies, here are but a few:

1. Ask our Canadian friends about "The Great Aluminum Farce." This was completely inconsistent with the best interests of both countries and of our defense needs.

2. Some of the well-bleached bones of the Smoot-Hawley Tariff Act of 1930 still lie in our national closet to plague us.

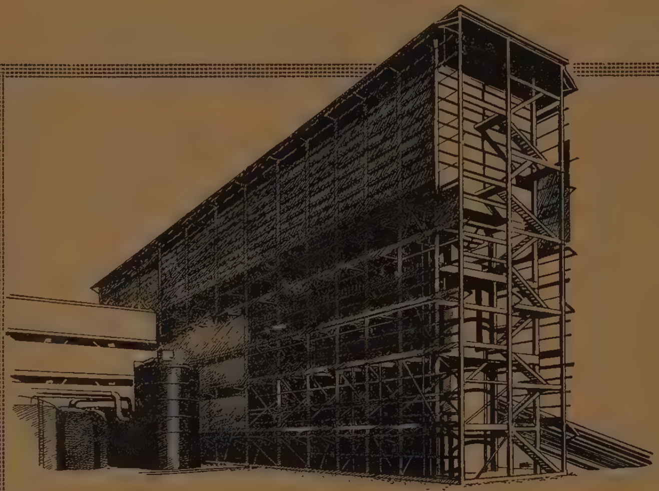
3. The "Buy American Act" of 1933, that monstrosity sired by Depression and damned by Desperation, is still on the books to interfere with our defense needs and to excuse retaliation by other governments.

4. Our customs procedures are the bane of importers and a puzzle to overseas businessmen—and often extremely unfair. The usual comments I have heard from both these groups are unprintable. A Customs Simplification Bill has been pending in Congress for over two years. Why so long when its passage is so badly needed?

5. Then there is the so-called "Cheese Rider" tacked

onto the recent Defense Production Act. It is in complete contradiction to every economic principle for which we claim to stand, and to every objective of ECA, the Marshall Plan, and free enterprise. It is a needless but stinging slap in the face for Canada, France, Holland, Denmark, Switzerland, Italy, and a few other countries. It definitely violates trade agreements to which we have already committed ourselves.

It is time to come out from behind that looking glass now. Alice is completely puzzled and so am I. Three questions particularly trouble me. Has it become easier for us Americans to give away our natural resources, our manufactures, our services, our capital, our taxes, and our purchasing power than to think? Wouldn't we help ourselves and other nations raise their standard of living, self-respect, morale, far more by really trading with them than by playing rich uncle to a resentful world? Just how long can we go on being export crazy and import blind?



A YEAR OF CONSTRUCTION

A major expansion program, now nearing completion, substantially increases the company's productive capacity. St. Regis products include sulphate pulp, kraft paper and board, multiwall bags, a wide range of printing and publication papers, industrial and decorative plastics. Shown above is an enlarged digester building at the Pensacola, Florida, mill.

SUMMARY OF CONSOLIDATED INCOME	*For the Years Ended December 31, 1951 and 1950.*	
	1951	*1950*
Net Sales, Royalties, and Rentals	$195,955,617	$154,789,186
Cost of Sales and Expenses	$159,845,270	$134,376,511
Operating Income	$ 36,110,347	$ 20,412,675
Income Credits	$ 4,756,969	$ 1,362.283
Gross Income	$ 40,867,316	$ 21,774,958
Income Charges	$ 2,126,473	$ 1,626,088
Net Income Before Provision for Federal and Foreign Taxes on Income	$ 38,740,843	$ 20,148,870
Provision for Federal and Foreign Taxes on Income	$ 21,944,809	$ 8,525,126
Net Income	$ 16,796,034	$ 11,623,744
Dividends Paid		
Preferred Stock	$ 708,193	$ 752,105
Common Stock	$ 4,136,531	$ 3,619,500

SR

ST. REGIS PAPER COMPANY

230 PARK AVENUE, NEW YORK 17, N. Y.

Offices in Principal Cities

In Canada: St. Regis Paper Company (Canada) Limited, Montreal

Avisco®

AMERICAN VISCOSE CORPORATION

Dividend Notice

Directors of the American Viscose Corporation at their regular meeting on April 2, 1952, declared dividends of one dollar and twenty-five cents ($1.25) per share on the five percent (5%) cumulative preferred stock and fifty cents (50c) per share on the common stock, both payable on May 1, 1952, to shareholders of record at the close of business on April 16, 1952.

WILLIAM H. BROWN
Secretary

* * *

SAFEWAY STORES
INCORPORATED

Preferred and Common Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on March 4, 1952, declared quarterly dividends on the Company's $5.00 par value Common Stock and 4% Preferred Stock.

The dividend on the Common Stock is at the rate of 60¢ per share, and is payable April 1, 1952 to stockholders of record at the close of business March 19, 1952.

The dividend on the 4% Preferred Stock is at the rate of $1.00 per share and is payable April 1, 1952 to stockholders of record at the close of business March 19, 1952.

MILTON L. SELBY, *Secretary.*

March 4, 1952.

BRIDGEPORT BRASS

reports for 1951

FACTS AT A GLANCE

	1951	1950
Sales	$101,711,000	$ 91,864,000
Profit before federal taxes on income	10,706,000	8,069,000
Federal income & excess profits taxes	7,400,000	4,100,000
Net income after taxes	$ 3,306,000	$ 3,969,000
Distributed to stockholders as dividends	1,466,000	1,007,000
Retained in the business	1,840,000	2,962,000
Net Income	$ 3,306,000	$ 3,969,000
Earnings per Common Share	$ 3.45	$ 4.14
Dividends per Common Share	$ 1.50	$ 1.00
Total number of Common Stockholders	8,312	7,800
Book value per Common Share	$24.64	$22.69

BRASS
"Bridgeport"
CO.

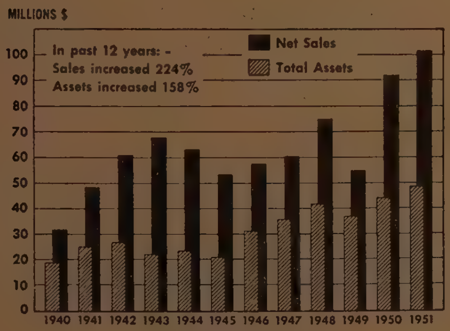
WHAT WE MAKE

BRASS MILL PRODUCTS

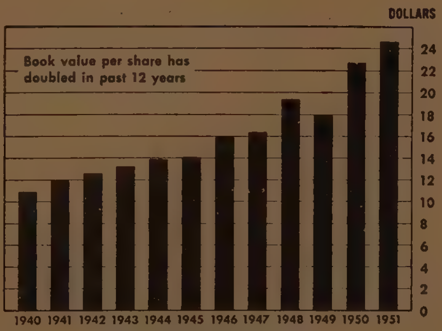
Brass and Copper Strip
Brass Rod
Duronze Rod
Brass Wire
Copper and Brass Tube for Plumbing
Condenser Tubes
Brass Tubing
Copper Tubing

MANUFACTURED PRODUCTS

Automobile Tire Valves
Tubular Plumbing Goods
Aer-a-sol Insecticide
Good-aire
Contract Parts



SALES AND TOTAL ASSETS

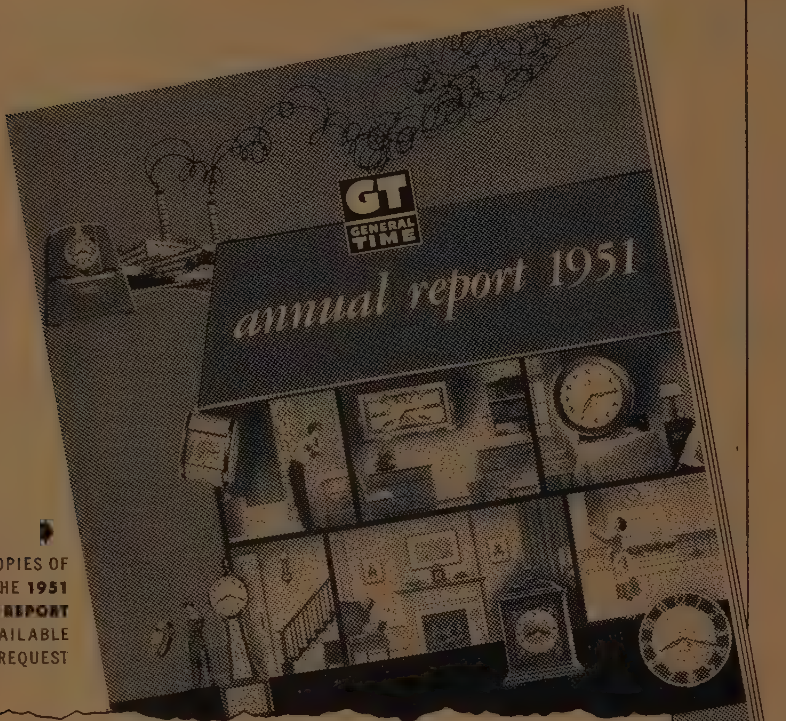


BOOK VALUE COMMON STOCK

BRIDGEPORT BRASS COMPANY

BRIDGEPORT, CONNECTICUT

General Time **reports...**



COPIES OF
THE **1951**
ANNUAL REPORT
ARE AVAILABLE
ON REQUEST

THREE YEARS AT A GLANCE

	1951	1950	1949
Sales	$38,587,000	$37,021,000	$31,740,000
Net Income	2,541,000	3,806,000	2,471,000
Earnings per Common Share	5.48	8.27*	5.22*
Taxes per Common Share	8.61	8.57	3.63
Working Capital	14,618,000	14,116,000	12,798,000

* Based on 442,449 common shares, giving effect to the stock dividends declared in December 1949 and 1950.

GENERAL TIME CORPORATION 109 LAFAYETTE ST., NEW YORK 13, N.Y.

WESTCLOX DIVISION, LA SALLE-PERU, ILL.
SETH THOMAS CLOCKS DIVISION, THOMASTON, CONN.
WESTERN CLOCK COMPANY, LTD., PETERBOROUGH, ONT.
STROMBERG TIME CORPORATION, NEW YORK, N. Y.
HAYDON MANUFACTURING COMPANY, TORRINGTON, CONN.

Sales and Earnings

Record sales of $38,587,406 represented an increase of 4% over 1950. Mounting costs, higher taxes, and conversion to defense production with a low profit margin accounted for lower net income of $2,540,986 compared with $3,806,472 the year before. Earnings per common share amounted to $5.48.

Markets

Total export sales of timepieces throughout the world reached a new high because of operation of factories in Scotland, Australia and Brazil, which have held and strengthened our sales in markets otherwise closed to the United States and Canada. In this country some reduction in civilian goods output was necessitated by defense requirements, and some of our leading products are still on allocation.

Products

During the year General Time introduced several new alarm clocks, new recording instruments, timing devices used as components in military projects and several industrial timers. The Seth Thomas division expanded its importation of attractive foreign made clocks. Seth Thomas also entered the watch field through the importation of fine jeweled wrist watch movements.

Defense Work

The company now has approximately $16,000,000 in defense orders and contracts on its books, over 90% of which are prime contracts.

New Developments

The company's plants are busy and generally working to capacity. With expanded activities by our Engineering and Research departments, General Time expects to make further substantial progress on civilian developments for the future.

Synthetic Fibers*

JOSEPH R. BENTERT

INSTEAD OF ATTEMPTING to trace the history of textile fibers from their origin sometime after the stone age, as an arbitrary starting point, we will begin with the popular natural fibers which were available fifty to seventy-five years ago. In that era a large percentage of the personal and industrial fiber needs were supplied by (1) pure silk, (2) linen, (3) cotton, and (4) wool. True, there were also available hemp, jute, alpaca, asbestos, mohair, horsehair, and the like, but the relative consumption of these was small and therefore will not be considered at this time. This is not to be interpreted as meaning that we consider jute or mohair unimportant textile fibers, because for certain applications they are truly incomparable; in this discussion they are being disregarded merely because time does not permit including them and other unique fibers possessing inimitable traits.

ONCE LABORATORY CURIOSITIES

During the youth of our grandparents, the manmade synthetic fibers of today were either nonexistent or merely laboratory curiosities awaiting commercial exploitation, but no organization or individual would consider investing very much money in such a venture because there was no apparent assurance of security or reasonable return on the investment to warrant the risk. Obviously, somewhere along the line something significant occurred to change the investment viewpoint completely. The question arises: What eventually caused so much time, money, and energy to be expended on synthetic fibers? Also, what prompts, even today, large well-established companies to risk tremendous amounts of money on basic fiber research, new buildings, machinery, sales promotional programs, and so on, for the sole purpose of producing new additional synthetic fibers when so many already are on the market or shortly will be available in huge quantities?

FIBERS POPULAR IN PAST ERA

This question cannot be answered with a few passing remarks or with any mathematical formulas, and it is necessary, for a moment, to make a survey of the natural fibers that were so popular in the past era, which we have arbitrarily chosen as a starting point.

PURE SILK

During that time pure silk was the fabric the rarest, most sought after, expensive, and most desired by people of wealth and position. Because of its extreme cost, it was way beyond the means of the average consumer. Even though it had only a limited market, many fortunes were made by producers of pure silk products. Like the alchemists of medieval times, who attempted to convert baser metal into gold, many textile chemists endeavored either to convert a baser fiber like cotton into pure silk or to produce, from chemical compounds, manmade silk. Like the alchemists, no textile chemists actually were able to make such a complete transmutation, but, in their efforts to do so, they made many exceedingly beneficial and profitable side line discoveries in the field of chemistry. One could not overlook what this progressive thinking on the part of textile chemists did for even cotton, which we now use in our everyday lives.

MERCERIZED COTTON

John Mercier, an English textile chemist and cotton cloth dyer and finisher, was one who did a great deal of work trying to change cotton into pure silk. Though started in about 1850, Mercier never completed his original endeavor but, by treating cotton with his caustic soda method, he developed what is known and used today throughout the civilized world: mercerized cotton. This chemical treatment of cotton greatly enhances its appearance, improves its resistance to abrasion, and improves dyeing, all of which are greatly appreciated by the consuming public. What the efforts of Mercier did for increasing the popularity and sale of cotton textile products would be difficult to evaluate, but it would be no exaggeration to say that his efforts have provided and for years to come will provide tremendous benefits.

FIRST MANMADE ARTIFICIAL SILK

In 1891, Chardonnet in France developed the first manmade artificial silk which was commercially successful. His fiber had some of the desirable traits of pure silk, but it was a great deal cheaper, readily available, and not subject to price fluctuations due to weather and other factors. Even though the synthetic silk of Chardonnet had some outstanding weaknesses, the consuming public liked it and bought products made from it. Its popularity began to grow, and its economic success was responsible for the investing of the money which has given the textile industry so many marvelous synthetic fibers. However, it must be recognized that synthetic fibers, like pure silk, linen, cotton, and wool, have some functional and economic undesirable traits.

UTILIZE ALL FIBERS TO CREATE BETTER PRODUCTS

If we represented a group of wool growers from Nevada or cotton farmers from Texas, I would naturally be very reluctant to suggest there could possibly be anything wrong or objectionable about cotton or wool. If we were a mixed group, I might even be tempted to praise all of the respective virtues of cotton and wool and possibly disparage synthetic fibers because of some one of their intrinsic weaknesses. However, as a textile development engineer I assure you I have no obligations to any particular fiber group, and my interests lie in endeavoring to utilize all fibers to create better textile products.

Returning to the four basic fibers we have arbitrarily chosen for a basis of comparison, we can honestly say linen has excellent strength, abrasion resistance, moisture absorption, pleasant appearance, and handling quality. However, it is difficult to process and expensive to grow and, being a natural fiber, would be subject to the usual variables of production over which nature and weather have so much power. Taking cotton as the second fiber, it has so many desirable traits it is difficult to select those that are truly outstanding. It is easy to grow in temperate climates, processed cheaply into many textile products, pleasant to handle, and can be given many different types of textile finishes. It lacks abrasion resistance, soil resistance, and resilience of the type found in wool.

---

*From an address before the Fourth Midwest Forum of the National Federation of Financial Analysts Societies, Chicago, Ill., January 30, 1952.

ADVANTAGES OF PURE SILK

Pure silk for many years was considered the queen of fibers because of its beautiful brilliance, splendid handling quality, graceful drapability, natural crease resistance, and resilience, and even fine threads of silk were the strongest of any natural fiber. This trait alone made it possible to produce sheer chiffon hosiery and other similar sheer textile products. However, pure silk is a very expensive fiber to produce in its raw state and requires expensive manufacturing methods. Being a natural fiber, it is subject to price fluctuation due to weather, crop conditions, and the like. Wool is another natural fiber having many desirable traits and falsely is generally associated with warmth. By proper selection of the stock and standard manufacturing methods, it is possible to produce a cool, porous tropical worsted fabric or, by other standard manufacturing methods, make a heavily napped warm woolen blanket. Though wool cannot be so finely or so uniformly spun as cotton or pure silk, wool's outstanding desirable traits are soil resistance, versatility of end products, ease of processing, pleasant handling, good dyeing quality, and unsurpassed fiber resilience and dimensional recoverability when disturbed by wear in garments or by rugs on a floor. Wool is low in tensile strength and abrasion resistance, is susceptible to moth destruction, and, unless specially handled, when washed it has a tendency to shrink. It is costly to produce, and because it comes from the fleece of sheep it is subject to many disturbing influences by nature. Even though it is produced nearly all over the world and sheep can be used for many other purposes than producing fleece, one of the greatest weaknesses of wool is its economic instability, resulting in fantastic price fluctuations, which make it an extremely hazardous item to merchandise.

From the short cursory comparison of linen, cotton, silk, and wool, it is quite apparent that they possess desirable traits and some very undesirable functional and economic characteristics. These functional and economic characteristics for many years have been recognized by scientists, investors, and businessmen who believed that, if fibers could be produced that did not have the undesirable features, the public would buy products made from them. The commercial success of Chardonnet's artificial silk proved conclusively that the public did appreciate new improved manmade fibers, even though they had shortcomings. Up to date, no natural or synthetic perfect fiber has been produced, but through the constant advancement of chemistry the natural fibers have also been improved and synthetics like modern viscose, celanese, Celcos, nylon, Dacron, Orlon, Dynel, Vicara, Chemstrand, fiberglass, saran, and many others have become available. Each of these synthetic fibers possesses some outstanding functional or economic trait which is not present in the others or in any natural fiber. For example, with fiberglass, it is possible to produce flameproof fabrics that have the same resistance to fire as asbestos, which was always considered the ultimate. However, fiberglass fabrics have esthetic and functional traits which are impossible to obtain with asbestos.

NO PERFECT ALL-PURPOSE FIBER

Up to date, the so-called perfect universal all-purpose fiber has not yet been produced, either by nature or synthetically, and I personally doubt if it ever will be produced. However, by combining, based on accepted sound engineering principles, the compatible desirable traits of natural and synthetic fibers or various synthetic fibers for certain specific end uses, extremely efficient and attractive textile products and fabrics can be produced for industry and personal use. It may take a little time for industry and people to accept blended textile products in preference to straight single natural fiber products or one kind of synthetic fiber, but eventually industry and people will learn to appreciate what new blended fabrics can do for them at less cost.

SYNTHETIC FIBERS APPRECIATED MORE EACH YEAR

Synthetic fibers and the products made from them are being appreciated more and more each year, and that is confirmed by the fact that in 1951 approximately 1½ billion pounds of synthetic fiber were produced in the United States. This 1½ billion pounds represents about 37% of the natural fibers used in the same year.

In 1935, the production of synthetic fibers in the United States was only about 250 million pounds, which indicated an increase of approximately 500% in sixteen years.

* * *

September 9, 1848 . . . There was a public meeting to fix the price of gold dust at a certain reasonable amount, to pass as a currency in the country, during the scarcity of coin, until a branch mint could be established.

Facts from the 1951 Annual Report of LION OIL COMPANY

In 1951 Lion Oil Company's sales and operating revenues were the highest in the history of the Company. These total revenues were $86,466,609 as compared with $81,960,327 for the previous year. Net earnings after deducting all costs and taxes were lower than in 1950, however, due primarily to (1) greater expenses incurred in an intensified exploration for oil and gas, (2) higher wages and increased material costs and (3) larger provisions for taxes on income. Net income after all charges was $11,751,026 as against $13,988,245 for the preceding year.

Cash dividends, at the rate of $2 per share, aggregating $4,856,700 were paid during the year. This represents 41% of the Company's net earnings.

In October the Company sold 350,000 additional shares of common stock for a net cash consideration of $14,152,020. This amount was added to the working capital of the Company to replace funds expended for capital additions and to provide for future expansion.

Capital expenditures during 1951 amounted to $16,299,000 of which $10,808,000 was for the development of additional underground reserves of crude oil and natural gas. Lion had a share in the drilling of 221 wells of which 160 were completed as oil wells and 7 as gas wells. Company net interest in these successful completions was 148 oil wells and 3 gas wells.

Expansion plans include the construction of a $5,000,000 enlargement of refining facilities. The operating units to be added, which will be completed in 1953, will permit a 50% increase in gasoline yields and reduced output of less profitable items such as fuel and burner oils. The intense search for and development of crude oil and natural gas reserves will be continued.

FINANCIAL SUMMARY	1951	1950
Net Working Capital—Dec. 31	$25,517,316	$14,654,736
Current Ratio	3.66	2.22
Net Properties (Fixed Assets)	$67,436,908	$58,582,040
Total Net Worth—Dec. 31	$72,018,688	$50,972,353
Shares of Common Stock Outstanding Dec. 31	2,690,861	2,340,833
Number of Stockholders	11,791	7,439
Total Dividends Paid	$ 4,856,700	$ 4,389,056
OPERATING SUMMARY		
Number of Producing Wells (net)	795	680
Gross Crude Oil Production—Barrels	8,011,422	7,854,224
Crude Oil Run to Stills—Barrels	8,271,310	7,756,709
Total Refined Oil Sales—Gallons	377,262,270	347,554,939
Elemental Nitrogen (N) Production—Tons	155,379	161,963
Number of Employees—Dec. 31	2,497	2,363
Annual Payroll	$10,968,405	$ 9,909,428

CONDENSED EARNINGS STATEMENT	1951		1950	
For Years Ended December 31	Amount	Per Share*	Amount	Per Share**
Sales and Operating Revenues	$86,466,609	$32.13	$81,960,327	$35.01
Operating Charges, Interest, Etc. (Net)	67,525,583	25.09	61,011,682	26.06
Net Income Before Provision for Taxes on Income	18,941,026	7.04	20,948,645	8.95
Estimated Federal and State Taxes on Income	7,190,000	2.67	6,960,400	2.97
Net Income	$11,751,026	$ 4.37	$13,988,245	$ 5.98

* Based on 2,690,861 shares outstanding at end of 1951
** Based on 2,340,833 shares outstanding at end of 1950

1951 ANNUAL
Report
LION OIL COMPANY

For 1951 Annual Report, write Public Relations Department, Lion Oil Company, El Dorado, Arkansas

COMMERCIAL SOLVENTS CORPORATION

HIGHLIGHTS FROM THE 32ND ANNUAL REPORT

CSC

1951 was a year of continued development and expansion for Commercial Solvents Corporation. Sales of CSC's six product divisions reached an all-time high, a record total of $61,172,149. Net earnings were up 13%.

A $20 million expansion program was begun at Sterlington, Louisiana, to double ammonia and methanol production facilities and to provide a plant to make solid ammonium nitrate. Also at Sterlington, the nitrogen solutions plant was completed.

Antibiotics production was tripled at our Terre Haute, Indiana, plant and a new pharmaceutical packaging plant was put in operation.

Construction of a new plant was begun for Expandex, CSC's tradename for dextran, blood volume expander. Production is scheduled for the summer of this year.

At Peoria, Illinois, units were completed to make vitamin and antibiotic feed supplements.

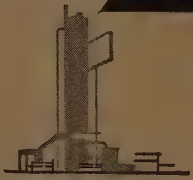
CSC's program of diversification has expanded operations into six allied but separate fields. These six specialized product divisions establish the sound, broad base for the company's development in the years ahead.

TWO-YEAR STATISTICAL REVIEW

	1951	1950
SALES—NET	$61,172,149	$49,095,073
EARNINGS BEFORE FEDERAL TAXES ON INCOME	11,307,644	8,485,503
EARNINGS BEFORE FEDERAL TAXES—PER SHARE	$4.29	$3.22
PROVISION FOR FEDERAL TAXES ON INCOME	5,465,200	3,307,900
NET EARNINGS	5,842,444	5,177,603
NET EARNINGS—PER SHARE	$2.22	$1.96
DIVIDENDS PAID	3,296,098	3,296,097
DIVIDENDS PAID—PER SHARE	$1.25	$1.25
ADDITIONS TO PROPERTIES	4,634,893	1,585,278

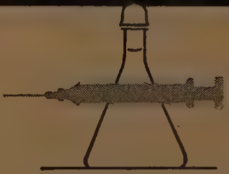
	Dec. 31, 1951	Dec. 31, 1950
NET CURRENT ASSETS	$23,742,566	$15,455,377
LAND, BUILDINGS & EQUIPMENT—NET	20,983,085	17,971,956
LONG TERM DEBT	10,000,000	—
SHAREHOLDERS' EQUITY (CAPITAL & RETAINED EARNINGS)	37,572,509	34,536,511

NOW...6 CSC PRODUCT DIVISIONS



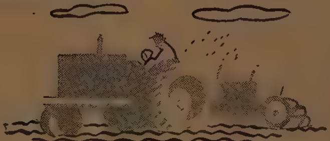
INDUSTRIAL CHEMICALS

Butyl, Ethyl & Methyl Alcohols & Derivatives—Nitroparaffins & Derivatives—Riboflavin, U. S. P.



PHARMACEUTICALS

Antibiotics—Penicillin & Bacitracin, Veterinary Products, Hypotensive Products, Lipotropic Agents, & Blood Volume Expander



AGRICULTURAL CHEMICALS

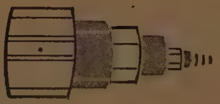
Commercial-grade Ammonia, Nitrogen Solutions, Insecticides—Benzene Hexachloride & Dilan®

ANIMAL NUTRITION PRODUCTS

Antibiotic Feed Supplements—Baciferm, Duoferm & Penbac, Vitamin Feed Supplements—Riboflavin & Choline

AUTOMOTIVE SPECIALTIES

Peak® & Nor'way® Anti-Freeze, Radiator Chemicals & Other Automotive Products



POTABLE SPIRITS

Neutral Spirits & Whiskies; Rackhouse Barrel Storage

Investment Opportunities in Hosiery

PAUL MURPHY

IN A PERIOD of business uncertainty few industries would appear to have the same assurance of higher volume in 1952 and 1953 as women's full-fashioned hosiery. The peculiar conditions that justify this conclusion make an interesting statistical study.

ANNUAL GROWTH

As indicated in Table 1, shipments of women's full-fashioned hosiery have shown a steady growth from 1945 through 1950.

The yearly increase in shipments (column 2) during this period ranged from 0.2 million dozen to 4.5 million dozen. The sharp jump of 4.5 million dozen in 1946 shipments was caused by abnormally low inventories from the war period. Because of the abnormal 1946 increase, the gain in 1947 was subnormal, and, in turn, the improvement in 1948 was abnormal. By smoothing out the annual gains (column 3), "Estimated Consumption" is derived (column 4).

Whether the annual growth of women's full-fashioned hosiery is as smooth as the figures shown in column 3 may be debated. There is no question, however, that 1949 shipments were 2.7 million dozen above 1948, despite a soft goods depression and price cutting in hosiery due to overproduction in 1948. Since the postwar years preceding 1949 fit this pattern also, the growth for the period appears reasonable.

CYCLICAL STABILITY

Absence from cyclical vulnerability has just been noted by the 1949 increase in shipments in the face of depressed textile conditions. That this was not an isolated condition is indicated by the rise in 1938 shipments of 2.2 million dozen over 1937 despite a sharp business depression in the former period. Consumption of women's full-fashioned hosiery, as an essential article of clothing, seems to be immune to business fluctuations.

INVENTORY CORRECTION

If this business possesses a steady growth and is immune to cyclical fluctuations of general business then, presumably, only abnormal conditions can cause shipments to deviate temporarily from a predetermined path. Actually this seems to have happened in 1950. The Korean war caused a wave of hoarding that jumped 1950 hosiery shipments 6.7 million dozen over those of 1949. If a growth for 1950 of 3 million dozen is assumed (column 3), then consumer inventories increased by the difference, or 3.7 million dozen (column 5). As a result of this condition, estimated 1951 hosiery shipments declined 2.8 million dozen from 1950, although actual 1951 consumption is assumed to be 3 million dozen above 1950. The difference between 1951 estimated consumption of 51.7 million dozen and estimated 1951 shipments of 49.6 million dozen, or 2.1 million dozen, would reduce excess consumer inventories from 3.6 million dozen to 1.5 million dozen.

PROJECTED GROWTH

It is because of this inventory liquidation in the face of growing consumption that the outlook for 1952 and 1953 appears so attractive. If we assume a growth of only 2.5 million dozen in 1952, estimated consumption would total 54.2 million dozen. Even if we assume complete liquidation of excess consumer inventories of 1.5 million dozen, shipments of the difference, or 52.7 million dozen, would be indicated. This latter figure, of course, would be a gain

Table 1. Women's Full-Fashioned Hosiery Statistics
Million Dozens

	1 Actual Shipment	2 Yearly Change	3 Normal Growth	4 Estimated Consumption	5 Change in Consumer Inventory 1-4	6 Cumulative Change
1945	34.5			35.0	-0.5	-0.5
1946	39.0	+4.5	+2.5	37.5	+1.5	+1.0
1947	39.2	+0.2	+2.7	40.2	-1.0	.....
1948	42.9	+3.7	+2.7	42.9	.....	.....
1949	45.6	+2.7	+2.8	45.7	-0.1	-0.1
1950	52.4	+6.7	+3.0	48.7	+3.7	+3.6
1951	49.6*	-2.8	+3.0	51.7	-2.1	+1.5
1952	52.7†	+3.1	+2.5	54.2	-1.5	.....
1953	56.7†	+4.0	+2.5	56.7	.....	.....
1954	59.2†	+2.5	+2.5	59.2	.....	.....

Source: Hosiery Statistics, 1950, National Association of Hosiery Manufacturers.
*Estimated.
†Forecast.

Table 2. Pretax Profit Margins, Per Cent

	Wayne Knitting	Gotham Hosiery	Phoenix Hosiery
1950, year	22.2	10.3	6.3
1951, 1st half	20.2	4.4*	-6.3†

*Adjusting for estimated gain of equipment.
†Before loss on sale of equipment.

of 3.1 million dozen over 1951 shipments. Even more spectacular would be the jump in shipments in 1953 to 56.7 million dozen, the 4 million dozen gain coming from 2.5 million dozen normal growth plus 1.5 million dozen delayed growth due to 1952 inventory liquidation. On the same basis 1954 shipments and consumption would approximate 59.2 million dozen, and the annual gain over 1953 would be 2.5 million dozen in each case.

Presumably the correction in shipments from the 1950 excess will take about three years to complete, in much the same manner that it took two years to correct the excess of 1946.

CAPACITY OPERATIONS

The projection of shipments for 1953 at 56.7 million dozen and 1954 at 59.2 million dozen gains added significance when related to industry capacity. Peak monthly production to date has been 5 million dozen. On the assumption that this pace could be maintained for 11 months (industry custom is to close the first two weeks of July for vacations and maintenance), practical capacity would be around 55 million dozen per year.

New additions to capacity are difficult to calculate because of retirement practices. Many old machines, but not all, are being sold abroad or scrapped. Output of new weaving machines is also uncertain because of controls. Perhaps capacity will increase 1 to 1.5 million dozen per year. On this basis anticipated shipments in 1953 and 1954 are likely to strain industry capacity.

PLANT LOCATION

In considering companies that might benefit from this growth in women's full-fashioned hosiery, certain industry characteristics are of more than passing interest. Plant location is very important. Mills south of the Mason-Dixon line are largely nonunion and have much more flexibility as well as lower costs. Almost all new units have been located in the South for many years. As a result the 30 and 32 section machines, with up to double the productivity of older units, tend to be in the newest plants. Probably a cost differential of 10% exists between northern and southern mills.

BRAND VALUE

The proportion of branded hosiery and the price level are equally important. Hosiery styles are changed twice a year—the fall season being larger than the spring. Between seasons, and especially during the summer lull, price concessions tend to develop on unbranded merchandise. The desire of mill operators to operate at lower prices rather than curtail production seems to cause this price weakness. Naturally the large private brand buyers encourage "keen competition." Branded hosiery is much less subject to this recurrent price weakness. In addition, some brand lines carry premium prices and, since costs may be only slightly higher, wider profit margins.

ECONOMIC POSITION

In general the economic position of women's full-fashioned hosiery would show southern unbranded mills with a 10% cost advantage over northern unbranded units, and southern brand mills with a 10% advantage over unbranded southern operators and a 20% advantage over northern unbranded mills. Since over 40% of production is in the North, no near-term change in economics is likely.

During periods of industry prosperity, profit margins tend to level out, but a renewal of competition tends to delineate the various categories as shown in Table 2.

None of these companies is a pure example of location or brand. Wayne is largely premium brand, southern location. However, it has nonpremium brand hosiery as well as small northern production. Gotham has northern and southern production, premium and nonpremium brands. Phoenix is all northern production, but its brands include men's stockings. However, on balance these companies tend to illustrate the economics of both brand and of location.

DAYSTROM, INCORPORATED

DIVIDEND NOTICE

The Directors of Daystrom, Incorporated (formerly ATF Incorporated) on March 25, 1952, declared a regular quarterly dividend of 25 cents per share, payable May 15, 1952, to holders of record April 28, 1952.

American Type Founders offers the world's most complete line of printing equipment.

OPERATING UNITS:
AMERICAN TYPE FOUNDERS
DAYSTROM ELECTRIC
DAYSTROM FURNITURE
DAYSTROM INSTRUMENTS
DAYSTROM LAMINATES

CONSOLIDATED NATURAL GAS COMPANY
30 Rockefeller Plaza
New York 20, N. Y.
DIVIDEND No. 17

THE BOARD OF DIRECTORS has this day declared a regular semi-annual cash dividend of One Dollar and Twenty-five Cents ($1.25) per share on the capital stock of the Company, payable on May 15, 1952, to stockholders of record at the close of business April 15, 1952

E. E. DUVALL, Secretary
March 20, 1952

Starting Point FOR THE EASTER PARADE

Synthetic fabrics step out in style this Spring…literally from the chemical plant to the promenade. This year you'll find them in crease-proof and wrinkle-proof suits and dresses, shirts and blouses that wash beautifully yet never need be ironed, stockings that resist runs, and socks that won't shrink.

The sources of synthetic fibers are as varied as their properties…they have in common only their origin in chemistry. As such, they require enormous quantities of chemicals in their manufacture. Throughout the miraculous growth of synthetic textiles, Mathieson has been a major supplier of many of the basic chemicals needed.

Today, Mathieson produces caustic soda, soda ash, liquid chlorine, ammonia, hypochlorite products, sodium chlorite, bicarbonate of soda, sulphuric acid, ethylene oxide, diethylene glycol and triethylene glycol to provide a wide variety of basic textile chemicals from one dependable source. Mathieson Chemical Corporation, Baltimore 3, Maryland.

Mathieson
CHEMICALS

9883

SERVING INDUSTRY, AGRICULTURE AND PUBLIC HEALTH

BROOKLYN UNION HAD A BUSY YEAR!

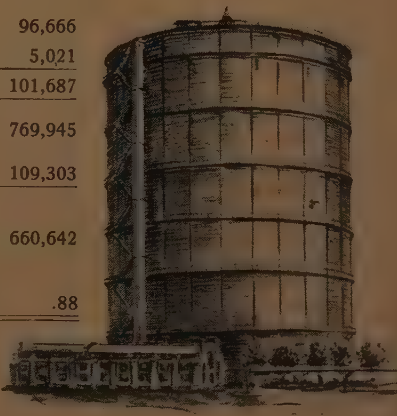
1951 was a year of planning for the introduction of natural gas to the Brooklyn Union area of Brooklyn and Queens. We are glad to report that this largest conversion program in the world is now in full swing and proceeding very smoothly. Some inconvenience for gas customers is inevitable, but the public has been most co-operative and patient and the tremendous job is being done with efficiency and dispatch.

- *You may have a copy of Brooklyn Union's complete Annual Report from our Main Office or by writing the Secretary of the company.*

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1951 AND 1950

	1951	1950	Variation
OPERATING REVENUES:			
Sales of gas	$43,885,163	$42,241,064	$1,644,099
Other gas revenues	98,140	1,297	96,843
Total Operating Revenues	$43,983,303	$42,242,361	$1,740,942
OPERATING EXPENSES:			
Operation	$24,387,610	$25,483,070	$1,095,460
Maintenance	3,489,923	3,460,546	29,377
Provision for depreciation	2,113,483	2,022,076	91,407
Federal income taxes (no excess profits tax payable)	3,520,000	2,051,600	1,468,400
Other taxes	5,165,055	4,789,469	375,586
Total Operating Expenses	$38,676,071	$37,806,761	$ 869,310
Operating Income	$ 5,307,232	$ 4,435,600	$ 871,632
INTEREST AND OTHER DEDUCTIONS:			
Interest on long-term debt	$ 1,501,100	$ 1,404,434	$ 96,666
Other—net	98,122	93,101	5,021
Total Interest and Other Deductions	$ 1,599,222	$ 1,497,535	$ 101,687
NET INCOME	$ 3,708,010	$ 2,938,065	$ 769,945
DIVIDENDS ON PREFERRED STOCK	366,333	257,030	109,303
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	$ 3,341,677	$ 2,681,035	$ 660,642
PER AVERAGE SHARE OF COMMON STOCK OUTSTANDING	$ 4.48	$ 3.60	$ .88



THE BROOKLYN UNION GAS COMPANY

176 REMSEN ST., BROOKLYN 2, N. Y. • TRiangle 5-7500

Our Increasing Longevity and What It Means

MORTIMER SPIEGELMAN

LEAST RECOGNIZED BUT MOST SIGNIFICANT as a mark of the high standard of living of the American people is their excellent health status. With an average lifetime of 67.6 years in 1949, the longevity record for the United States has increased by 4 years within the brief period of one decade and by 18½ years since the beginning of the century. It is perhaps the best measure of what the scientific, economic, and social advances of the last fifty years have contributed to general welfare.

In these advances, the achievements of the medical and allied professions rank high. Medical science has a long and outstanding record of research, discovery, and invention for the benefit of mankind; in recent years these have been greatly accelerated. Moreover, new knowledge is rapidly put into widespread use through our vast network of medical care facilities, which, already extensive, is penetrating further into the remote areas of the country. At the same time, the productivity of the physician has been greatly increased by improvements in his tools and equipment, as well as in training. Viewed generally, the care of the sick is now a major and efficient industry; witness the increase and advance of "drug shares."

Our community efforts for health protection have crystallized in a movement now operating at local, state, and national levels. The public health activities of government agencies include the protection of water supplies, inspection of foods, disposal of wastes, control of communicable disease, hospital and medical care for the needy, collection of vital statistics, health education, and many other health services. Such government activities are stimulated and supplemented by voluntary health and welfare agencies, many of which also support basic medical research.

It is possible to enumerate many other fields of effort that have contributed toward our present high level of health, but all of them stem essentially from the rapid growth of our economy. With our great capacity for production, we have wealth and man power available for the expansion of medical care and public health facilities and also for intensive research. Our economy has given us the better food, and the better housing, working conditions, education, and recreation that have advanced our health status. By replacing the horse, the automobile has helped eliminate the house fly, a carrier of disease. From the soap, detergent, and tooth paste corporations we receive lessons in hygiene. The laborsaving devices of the home, as well as those of the factory, have eased the physical burdens of daily life—and added to our securities lists.

LONGEVITY TRENDS*

When we examine longevity trends in detail, we find some striking contrasts. For example, Figure 1 shows that for white males the expectation of life at birth (average lifetime) rose by 17.7 years since 1900–02 to a level of 65.9 years in 1949. However, at age 40 the expectation of life rose by only 3.2 years over the same period, reaching a recent level of 30.9 years. For age 65, where the expectation of life is now 12.5 years, there has been only a 1-year gain. In other words, the gains in average future lifetime have decreased with advance in age. This reflects largely the control of the acute and infectious diseases which take their greatest death toll before midlife. Also, with a fixed life span of somewhat more than 100 years, the

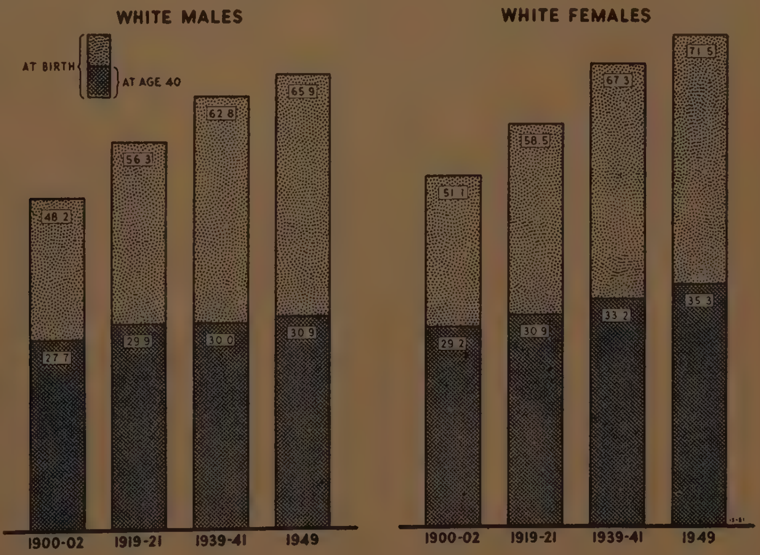


Figure 1. Expectation of life, in years, at birth and at age 40, white persons by sex, United States, 1900-02 to 1949

From Statistical Bulletin of the Metropolitan Life Insurance Company, November 1951.

---

*For a fuller discussion of this topic, see L. I. Dublin, A. J. Lotka, and M. Spiegelman, *Length of Life,* Ronald Press Company, 1949.

margin for improvement in expectation of life becomes smaller as the years of life advance.

Especially interesting is the comparison between the sexes. Not only do females have the better record for longevity, but they also show the greater improvement. Whereas white males have gained 17.7 years in average lifetime since 1900–02, the improvement for white females amounts to 20.4 years. This divergence in trend has widened the gap between the sexes. In 1949, white females had an average life expectancy at birth of 71.5 years—5.6 years greater than white males; in 1900-02, the difference was only 2.9 years. A similar divergence at age 40 may be noted from Figure 1.

The longevity record for our nonwhite population has always lagged far behind that of the white population. For example, in 1949 the average lifetime for nonwhite males was 58.6 years, or 7.3 years under that for white males; the corresponding figures for nonwhite females are 62.9 years and 8.6 years, respectively. Nevertheless, the average lifetime for the nonwhites is gaining more rapidly than for the white population. Thus, in the short period from 1939–41 to 1949, the average lifetime for nonwhite males rose by 6.3 years, compared with a 3.1-year rise for white males; for females, the gains were 7.4 and 4.2 years.

There has generally been observed a regression in health status in proceeding down the social-economic scale of the population. However, British experience has shown a more rapid downward trend in the mortality for the lower social-economic classes than for those at the top of the scale. A similar situation is seen in the United States by a comparison of the average lifetime for the general population with that for members of urban wage-earning families, as exemplified by the millions of industrial policy holders of the Metropolitan Life Insurance Company. In 1911–12 these insured lives were at a disadvantage of 6½ years, but since then this difference has been eliminated.

Further evidence of the spread of health advantages throughout the Nation is found in the records of the individual states. Thus, the average lifetime for white males in Nebraska, the state with the best showing in 1939–41 (the latest year of record), was almost 10 years greater than for those in Arizona, the state with the poorest showing; a decade earlier this difference was almost 15 years.

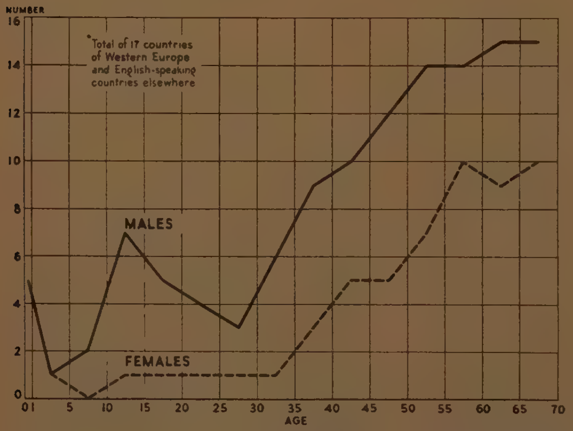


Figure 2. Number of countries with age-specific death rates lower than in the United States, postwar experience

THE INCREASING CHANCES OF SURVIVAL

The death of a child before it enters its productive lifetime is a great economic loss, for there has been no return to the community on what it has consumed in goods. Under present-day health conditions, the chances of such a loss of life are very small. The accompanying table from the *Statistical Bulletin* of the Metropolitan Life Insurance Company, November 1951, shows that over 96% of our infants succeed in surviving to school age, and, of those entering school, at least 99% live further to age 18, when most children enter employment. At the beginning of the century, chances of survival were smaller, 80 and 96%.

For both husband and wife, the chances of survival from their marriage to the marriage of their last child—the period of greatest family responsibility—are very high. According to the example in the table, these chances are currently 88% for the husband and 95% for the wife. Fifty years ago, the respective figures were 74 and 80%. The improved situation has done much to promote family stability. If present-day parents were experiencing the mortality prevailing at the beginning of the century, almost 750,000 children under 18 would become orphaned during the course of one year; instead, with current mortality, the number is about 370,000, a 50% reduction. This improvement has brought many thousands of children the benefits of family life; it is giving the Nation many more good citizens and has saved the community the burden of caring for a great number of destitute families.

The increasing chances of survival for husbands have reduced the probability of early widowhood for wives and its attendant problems. However, because the longevity of women has risen more rapidly than that of men, it has increased the chances that the wife will outlive her husband. Moreover, it has lengthened somewhat the expected period of widowhood. In other words, the period of dependent widowhood is increasing.

For the average young man entering the labor force in 1900, the chances of living to age 65, when he first becomes eligible for retirement under our national old age and survivors insurance program, were only 51%. In contrast, these chances are over 66% on the basis of recent survival experience. Furthermore, almost 60% of the men now retiring at age 65 will live at least ten years longer to attain age 75. It is these good prospects of living through the productive lifetime and for many years after that give us our incentive to save for retirement through life insurance, annuities, and other investments.

LONGEVITY AND POPULATION

The population structure of the United States is greatly influenced by its trends in longevity. Increased chances of living to old age, an influx of young immigrants before World War I, and the high birth rates of two generations ago are now bringing us larger contingents of aged persons. Moreover, even in old age, the chances of surviving from one year to the next are rising. The facts are now familiar. According to the census of 1950, there were about 12,322,000 persons at ages 65 and over in the United States, or 8% of the total population. In 1900 these aged

Table 1. Chances of Surviving through Specified Periods of Life
According to Mortality of 1949, 1939-41, and 1900-02
White Population by Sex, United States

From		To		Chance of Surviving per 1,000		
Age	Event	Age	Event	1949	1939-41	1900-02
White Males						
0	Birth	6	School enrollment	961	940	804
6	School enrollment	18	Entry into labor force	990	985	960
18	Entry into labor force	23	Marriage	992	990	971
23	Marriage	52	Marriage of last child	883	857	741
18	Entry into labor force	65	Eligibility for retirement*	665	629	509
65	Eligibility for retirement*	75	Ten years thereafter	587	573	545
White Females						
0	Birth	6	School enrollment	970	952	829
6	School enrollment	18	Entry into labor force	994	990	962
18	Entry into labor force	21	Marriage	998	996	985
21	Marriage	23	Birth of first child	998	997	988
23	Birth of first child	49	Marriage of last child	946	918	796
21	Marriage	62	Husband's eligibility for retirement	840	783	613
62	Husband's eligibility for retirement	72	Ten years thereafter	765	725	651

*Under the Old Age and Survivors Insurance Program of the Social Security Act.
From Statistical Bulletin of the Metropolitan Life Insurance Company, February 1951.

constituted only 4% of the population, and their number was only one-fourth that in 1950. This rapid aging of our population is affecting many facets of our social and economic life. It is raising problems relating to the needs of the aged, their productive capacity, and their growing political strength by sheer weight of numbers. Intensive study of the entire situation is just now getting under way.

For most of its history the United States had more males than females in its population. Besides the normal excess of males over females at birth (the ratio is about 105 to 100), immigration has been predominantly male. However, the greater gains in survivorship for females, the reduction in immigration, and the deaths of World War II, have given the country an excess of females over males since 1945. The census of 1950 shows an excess of females over males at ages 45 and over; on the other hand, males outnumber females at ages under 25 years.

From 1940 to 1950, the white population of the United States increased by 14.4%, while the nonwhites gained at a greater rate, namely, by 15.1%. This greater rise for nonwhites reflects, very largely, the more rapid improvement of nonwhite than of white longevity within recent years.

THE ROOM FOR IMPROVEMENT

Notwithstanding the relatively favorable health situation in the United States, there is considerable room for improvement on many fronts. Fortunately, all those directly concerned with our health problems are aware of these needs and are doing their utmost to fill the gaps. The principal sources of strength and weakness in our health status are conveniently related by referring to Figure 2, which is based on a comparison of death rates in the United States according to age with those of a number of countries of Western Europe and English-speaking countries elsewhere.† These are the nations with the best medical practices and public health services.

Up to about age 30, there are very few nations in this group that have lower death rates than the United States. The record here is particularly good for white females; the peak in the curve for white males at ages 10 to 25 years is due to their high accident death rate. The advantage of the United States before age 30 lies in the control of the infectious diseases which have their greatest incidence in childhood, adolescence, and early maturity. However, as we proceed up the age scale through late maturity, midlife, and into old age, an increasing number of countries outrank the United States with lower death rates. By the time the last age period, 65 to 69 years, is reached, 15 out of the 17 countries have lower death rates than our country for males; for females 10 countries have better records.

One explanation offered for this changed mortality position with advance in age is based on the high level of medical care generally available in this country. This favorable situation is prolonging the lives of many who, in their youth, suffered infections that resulted in organic impairments. A large proportion of such physically impaired persons brought into midlife would, of course, make the mortality of that age period correspondingly high. The obesity of our people in midlife, a condition associated with excess mortality, may also contribute to the relatively poor position of the United States at that stage comparatively.

Our health status is not ascertained by longevity and mortality records alone. Illness records might be very informative, but they are rather meager. However, there is ample evidence to indicate that, along with the decline in mortality from most infectious diseases, there has also been a sharp reduction in the number of cases. On the other hand, the chronic disease problem in the United States is increasing and is now quite sizable. It has been estimated that the country has currently well over 9 million persons with some cardiovascular-renal condition, perhaps 2 million diabetics (about one half of whom are known), and about 500,000 cases of active tuberculosis. More than 500,000 persons develop a cancer in the course of a year. There are, in addition, many thousands with epilepsy, cerebral palsy, multiple sclerosis, and other conditions involving prolonged care and treatment. It is for the great numbers of physically and mentally impaired lives among us that the Nation has created, and is still expanding, its systems of medical care and many of its public health services.

---

†Louis I. Dublin in collaboration with Mortimer Spiegelman, "Factors in the Higher Mortality of Our Older Age Groups," *American Journal of Public Health,* forthcoming issue.

Important as treatment and rehabilitation are in the Nation's health program, the essential emphasis must necessarily be on preventive measures. An illness prevented or delayed means much to the individual, his family, and the community. At the same time, the national economy gains by increased productivity. With the population more health-conscious than ever before, and with the present high standards of medical and public health leadership, the years ahead will undoubtedly see further improvements in our health status and records for longevity. Just how much this will reflect on the financial life of the country is a problem for analysts. That it has affected some industries and will alter the trend of others is worthy of note.

125TH ANNUAL REPORT
OF
THE BALTIMORE AND OHIO RAILROAD CO.

HIGHLIGHTS OF THE YEAR 1951

Because of heavy traffic and increases in freight rates, the Baltimore and Ohio Railroad's total income for 1951 was 11.87% above 1950. *But* expenditures increased 11.28% at the same time.

Net railway operating income in 1951 represented a return of only 3.57% on net investment in transportation facilities.

Increased operating efficiency enabled the railroad to reduce freight train miles by 2.11%, although freight-ton miles handled increased by 10.1%.

Tax accruals for the year totaled $35,669,276—the equivalent of total revenue from all transportation services for 29 days.

More than $36,360,000 was invested in improvements and new equipment in the year.

Average employment throughout the year was 57,932 persons, an increase of 8.1% over 1950. Annual wages and payroll taxes per employee in 1951 were $4,254—up $271 from 1950.

STATISTICAL SUMMARY

Income	Year 1951	Increase over 1950
From transportation of freight, passengers, mail and express	$432,535,559	$44,898,210
From other sources—interest, dividends, rents, etc.	27,500,317	3,909,113
Total income	$460,035,876	$48,807,323
Expenditures		
Payrolls, materials, fuel, services and taxes	$401,997,398	$41,446,748
Interest, rents and miscellaneous services	38,886,770	3,245,947
Total expenditures	$440,884,168	$44,692,695
Net Income		
For improvements, sinking funds, and other purposes	$ 19,151,708	$ 4,114,628

R. B. WHITE, *President*

A M

DIVIDEND NOTICE

AMERICAN-MARIETTA COMPANY

The Board of Directors has declared the following quarterly dividends:

34th Consecutive Common Dividend

A dividend of 25c per share on the Common Stock, payable May 1, 1952 to Stockholders of record April 18, 1952.

34th Consecutive Preferred Dividend

A dividend of $1.25 per share on the Preferred Stock, payable May 1, 1952 to Stockholders of record April 18, 1952.

H. J. HEMINGWAY
President

PAINTS • CHEMICALS • METAL POWDERS
ADHESIVES • RESINS • BUILDING PRODUCTS

* * *

Materials Handling Equipment
•
Locks
Builders' Hardware

YALE & TOWNE

254th Dividend since 1899

On March 7, 1952, dividend No. 254 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on April 1, 1952, to stockholders of record at the close of business March 17, 1952.

F. DUNNING
Executive Vice-President and Secretary
THE YALE & TOWNE MFG. CO.

SAFEWAY STORES
INCORPORATED

1951 1950 RECORD

	1951	1950
Sales	$1,454,642,996	$1,209,993,762
Income from dividends, interest and other sources	780,358	125,292
Cost of merchandise, manufacturing and warehousing	1,253,692,213	1,033,677,866
Total operating and administrative expenses	194,115,290	161,723,887
Net Income	7,615,851	14,717,301
Dividends to preferred stockholders	1,237,534	1,036,733
Net Profit applicable to common stock	6,378,317	13,680,568
Net Profit Per Share of Common Stock	2.26	5.20
Dividends to common stockholders	6,786,488	6,400,897
Dividends per share to common stockholders	2.40	2.40
Number of new stores opened during the year	262	70
Number of stores closed during the year	209	164
Number of stores in operation at end of year	2,125	2,072

Net Sales, Earnings and Income

Safeway Stores, Incorporated, 1951 Net Sales were the highest in the history of the Company, totaling $1,454,642,996, an increase of $244,649,234 or 20% over 1950.

Net earnings after deducting all costs and taxes were lower than in 1950. This was due to (1) Federal price controls affecting the entire food industry (2) property loss of $774,768 suffered in the 1951 Kansas City flood.

Net income, after all charges and property loss, was $7,615,851 for 1951 as compared with $14,717,301 in 1950.

Cash dividends were paid on the common stock at the rate of $2.40 per share on 2,827,703 shares, the average number outstanding during the year.

Balance Sheet Information

On December 31, 1951, Safeway and subsidiaries had aggregate net assets of $113,821,747, total current assets of $239,921,849 and total current liabilities of $172,667,846.

The ratio of current assets to current liabilities was 1.39 to 1.

15-YEAR DIVIDEND RECORD

1937	$ .83*	1944	$1.00
1938	.67	1945	1.00
1939	1.50*	1946	1.00
1940	1.17	1947	1.00
1941	1.17	1948	1.00
1942	1.00	1949	1.25
1943	1.00	1950	2.40
		1951	2.40

*Paid in part in five percent preferred stock

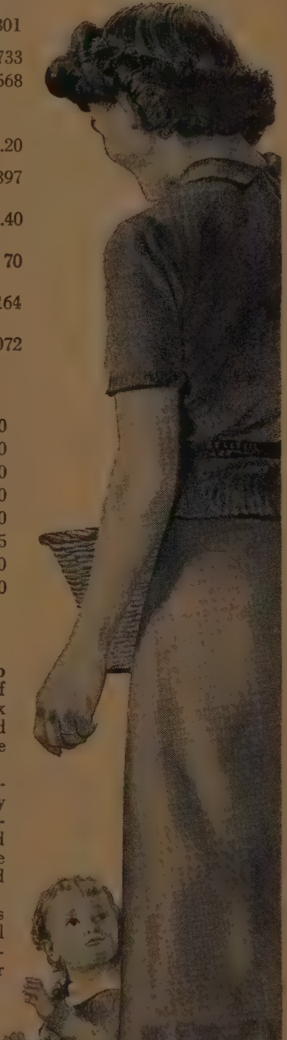
Government Price Regulation

The food industry has suffered severely as a result of unfair and inequitable price control administration. This has been particularly true of integrated chain retailers such as Safeway.

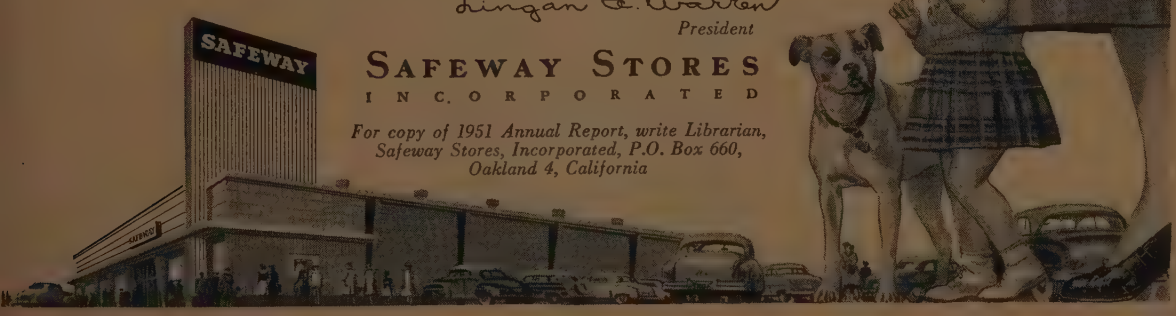
A recent survey covering 32 chains doing approximately 15% of the total United States retail grocery business showed for the third quarter of 1951, as compared with the third quarter of 1950, that combined profits before taxes were down 59%; that dollar profits after taxes declined from $15,273,229 to $4,967,004 and that the rate of profit after taxes declined from normal to approximately $1.50 per $100 of sales to 41c per $100 of sales. Six of the concerns involved suffered actual net operating losses in the third quarter of 1951.

It is becoming increasingly evident that the retail food industry has been singled out as the principal victim of OPS regulations and that so far as it is concerned the price control law is to be used strictly as a political tool.

Safeway plans to continue its efforts to force the price control authorities to give fair and impartial treatment to it and to other food retailers.



Lingan A. Warren
President



SAFEWAY STORES
INCORPORATED

*For copy of 1951 Annual Report, write Librarian,
Safeway Stores, Incorporated, P.O. Box 660,
Oakland 4, California*

THEW Lorain . . . reports on 1951

LORAIN

SHOVELS, CRANES, CLAMSHELLS, DRAGLINES, HOES

FOR EVERY JOB

. . . *Military*

Thew-Lorain products are knee-deep in our military program! In 1951, about $10 million in Thew-Lorain products went to the Armed Forces . . . At the start of 1952, we had an additional $20 million in orders for the Armed Forces on our books.

. . . *and Civilian*

Thew-Lorains are also contributing greatly to the maintenance of our civilian economy . . . Though a big proportion of Thew-Lorains will go to the Armed Forces in 1952, many others will continue to appear in "civilian yellow" to carry out the ordinary day-in and day-out needs of our American way of life.

> ● *Copies of the 1951 annual report and information about our operations are available on request to the company or our financial public relations counsel, Gartley & Associates, Inc., 68 William Street, New York 5, N.Y.*

ANOTHER YEAR OF PROGRESS . . .

Sales reached an all-time peak, 58% over 1950. Intensified civilian demand and heavy deliveries for defense are reflected in this gain ● Profits before taxes were up 83%, but federal taxes increased to such an extent that our gain in net was held to 19%. This table illustrates the impact of taxes—

	1951	1950	PERCENT INCREASE
Taxable Income	$6,327,000	$3,450,000	83%
Federal Taxes	4,150,000	1,625,000	155%
Net Income	2,177,000	1,825,000	19%

● The quarterly dividend rate was raised in November from 25 cents to 40 cents a share. Dividends in 1951 totalled $1.75 a share—three quarterly payments of 25 cents and one of 40 cents, plus an extra of 60 cents ● Financial position continued strong; substantial increases were shown in both working capital and net worth ● Products introduced in 1951 had good acceptance—new loader attachment called the "Scoop Shovel" is very popular ● Other recently designed attachments for THEW-LORAINS have opened up new outlets. These, with existing civilian and defense demands, appear to provide good sales potential for 1952. Every effort will be made to offset higher costs and taxes with even greater efficiency.

HIGHLIGHTS	1951	1950	1949	1948
Net Sales	$40,837,440	$25,857,308	$20,533,417	$34,105,585
Net Income	$ 2,177,002	$ 1,824,689	$ 1,186,139	$ 3,036,331
Expenditures for Plant and Equipment	$ 594,496	$ 556,157	$ 293,007	$ 718,434
Net Property, Plant and Equipment	$ 2,919,782	$ 2,596,650	$ 2,351,230	$ 2,338,815
Earnings Retained for Use in the Business	$10,786,588	$ 9,407,492	$ 8,274,822	$ 7,180,037
Inventories	$11,370,238	$ 7,910,111	$ 6,510,612	$ 7,771,824
Number of Employees	1,627	1,433	1,196	1,882
Number of Shareholders	1,206	1,067	1,025	1,053
Working Capital per Share	$ 21.73	$ 19.53	$ 18.01	$ 17.06
Shareholders' Equity	$13,066,318	$11,687,222	$10,674,552	$ 9,733,067
Shareholders' Equity per Common Share	$ 28.66	$ 25.63	$ 23.15	$ 20.75
Earnings Developed for Common Stock	$ 2,177,002	$ 1,822,589	$ 1,172,382	$ 3,015,013
Earnings per Common Share	$ 4.77	$ 4.00	$ 2.57	$ 6.61
Dividends on Common Stock	$ 797,906	$ 683,919	$ 569,932	$ 569,933
Dividends per Common Share	$ 1.75	$ 1.50	$ 1.25	$ 1.25
Income on Each Sales Dollar	5.3c	7.1c	5.8c	8.9c

THE THEW SHOVEL CO., LORAIN, OHIO

Capital Goods—a Puzzling Paradox

ROBERT W. STORER

THE THESIS IS PROBABLY CORRECT that the level of expenditures for new capital largely governs the general level of business activity and that during the depression and to some extent during World War II our economy, giving effect to obsolescence and depreciation, failed to maintain fully its economically useful production facilities.

EXPENDITURES ASCENDED SHARPLY

During the postwar period, of course, expenditures for new plant and equipment, which I take as an adequate yardstick of capital goods creation, ascended sharply to levels far above previous records.

Here arose the first problem: how to deflate this time series for the changing level of costs and prices to deflate it, by the annual figure of national income, which, being also expressed in current dollars, ought to serve to put the two series on roughly the same basis. Dividing through gives for each year the percentage of national income spent by business for new plant and equipment.

DATA SET FORTH

The data for this procedure are set forth:

The plant and equipment expenditures for 1919 to 1928, inclusive, are taken from page 731 of the *Federal Reserve Bulletin* of September 1939, covering private expenditures

Estimated Plant and Equipment Expenditures
As a Percentage of National Income
Millions of Dollars

Year	A National Income	B Est. Expenditure Plant & Equipment	B/A
1919	$ 68,108	$ 7,095	10.41
1920	69,226	8,327	12.03
1921	51,857	5,233	10.09
1922	59,746	5,784	9.68
1923	69,546	7,902	11.36
1924	69,247	7,650	11.05
1925	73,630	8,189	11.12
1926	76,598	9,126	11.91
1927	76,105	8,777	11.53
1928	78,815	8,846	11.22
1929	87,355	9,165	10.49
1930	75,003	7,610	10.14
1931	58,873	4,712	8.00
1932	41,690	2,608	6.26
1933	39,584	2,137	5.40
1934	48,612	3,080	6.34
1935	56,789	3,738	6.58
1936	64,719	5,077	7.84
1937	73,627	6,730	9.14
1938	67,375	4,520	6.71
1939	72,532	5,200	7.17
1940	81,347	6,492	7.98
1941	103,834	8,192	7.89
1942	137,119	6,112	4.46
1943	169,686	4,532	2.67
1944	183,838	5,212	2.84
1945	182,691	6,632	3.63
1946	180,256	12,040	6.68
1947	198,688	16,180	8.14
1948	223,469	19,208	8.60
1949	216,716	18,110	8.36
1950	238,963	18,550	7.76
1951	275,000*	24,830	9.03

*Estimated.

for plant and equipment, and for 1929 to date are from Statistical Release 1035 of the SEC and from page 24 of the *Survey of Current Business* of March 1948.

The national income series is a composite, figures for 1919 to 1929 being taken from Houser's *Government Statistics for Business Use* and for 1929 to date from the *Survey of Current Business,* 1951 National Income Supplement. There is an overlap between 1929 and 1944 in these two series, and the correspondence between them over this period is sufficiently close to justify using them as one series, though it is desirable to use the current Government data as far back as they are available.

The interpretation of the ratios in the last column seems puzzling, since it does not obviously point to an abnormally high rate of capital expenditures in the postwar period, even in 1951, which is what one might rather expect to find.

Of the many possible explanations of this anomalous result, the following seem most likely:

1. Is there a basic discontinuity or a statistical bias in one or both series, which makes the ratios of earlier years improper to use as a present norm?

2. Is the productivity of present capital goods so great, in terms of man-hours replaced per dollar cost of new plant and equipment, that a smaller percentage of national income, thus expended, will serve to maintain our productive plant? Could this be true, despite the fact that the augmented labor cost also enters into a higher cost level of the plant and equipment?

3. Should we not expect an upward wage spiral to be attended or followed by exceptionally large outlays—in physical terms—for capital goods, to mechanize even more rapidly than usual, by replacing man-hours by machine-hours?

4. If so, then why are we spending in this way a smaller percentage of national income than in the 1920's?

5. Has the economy, in fact, as yet fully adjusted its productive plant to present and still higher prospective levels of wage rates?

6. If the fact be cited that our aggregate productive capacity—in physical units—is already excessive for a civilian economy, might it be that the present dual economy is keeping in use plant and equipment that, at more normal levels of demand, would be marginal or submarginal, by reason of their high labor costs?

* * *

California was admitted to the Union as a State on September 9, 1850 (in Washington). This was celebrated when the steamer *Oregon* brought the official news to San Franciso on October 28.

Great celebration for the admission of California into the Union. "On the 28th instant, the mail steamer *Oregon* was entering the Bay (of San Francisco); she fired repeated preconcerted signal guns which warned the citizens that California was admitted into the Union. Immediately the inhabitants were afoot, and grew wild with excitement. . . . Business af almost every description was instantly suspended; the courts adjourned . . . a universal shout arose from ten thousand voices on the wharves, in the streets, upon the hills, house-tops, and the world of shipping in the bay . . . enthusiasm increased as the day advanced."

RICHFIELD REPORTS

15 Years of Operations

In its Annual Report To Stockholders for 1951, Richfield Oil Corporation reviewed its operations for the fifteen-year period since it commenced business on March 13, 1937, and concluded such review with the following:

"During the period under review the Corporation has paid or accrued for payment to the Federal Government approximately $62,500,000 in taxes on income, and has paid other direct taxes of $38,818,000; it has paid approximately $184,157,000 in wages, salaries and retirement benefits; and it has paid approximately $72,000,000 to its stockholders in dividends. Thus the Corporation has discharged its obligation as a citizen by paying a large proportion of its earnings to Government in taxes; it has kept abreast of the times in wages and employee benefits; and it has paid a reasonable return to its stockholders on their investment. Yet, because it has had left to put back into its business enough of its earnings to enable it to grow, it has always been able to do its full share of service to the Nation, in time of war by supplying high octane aviation gasolines, jet fuels and other special war products, and in time of peace by meeting the ever increasing demands for petroleum products at reasonable prices.

"The foregoing review has been made not because we desire to boast of Richfield's growth but because we believe that there is nothing of more vital importance to our stockholders, and to the millions of stockholders of other corporations, than that the system which enabled Richfield to make its growth be not undermined. It can be undermined, and even destroyed, by the tax collector.

"Since 1913 when the first Federal income tax law was enacted, the individual income tax rate has risen from 1% with a maximum rate of 7% on net income of $500,000 and over to a starting rate of 22.2% with a combined normal and surtax rate of 92% on taxable income of $200,000 and over. The corporate income tax rate has risen from 1% to a combined normal, surtax and excess profits maximum rate of 82%. The trend of rates is ever upward. Unless it is stopped, there will be no earnings, after taxes, to put back into the business, and no industrial growth for private enterprise in any line of endeavor either by corporations or by individuals. On the other hand, if the economic climate is kept such that earnings are available to finance additional productivity, Industry will go ever forward, building the strength of this Nation, toward invincibility from without and toward prosperity from within."

FINANCIAL DATA	1951	1950	1949	1948	1947	1946	Average Per Year 1941-45	Average Per Year 1937-40*
Sales and other operating revenue	$186,460,591	$154,945,678	$122,981,735	$118,770,868	$ 87,957,728	$ 68,855,011	$ 67,651,717	$ 43,045,818
Net income	$ 28,218,281	$ 23,046,379	$ 20,434,099	$ 16,751,475	$ 11,853,397	$ 7,062,276	$ 3,751,899	$ 2,590,693
Per share of capital stock	$7.05	$5.76	$5.11	$4.19	$2.96	$1.76	$ .94	$ .65
Dividends paid	$ 14,000,000	$ 12,000,000	$ 10,000,000	$ 8,000,000	$ 6,015,002	$ 3,208,000	$ 2,385,954	$ 1,840,101
Per share of capital stock	$3.50	$3.00	$2.50	$2.00	$1.50	$ .80	$ .60	$ .46
Income and other direct taxes	$ 32,710,120	$ 15,081,233	$ 8,996,739	$ 8,151,534	$ 6,614,103	$ 4,915,656	$ 3,573,988	$ 1,829,655
Gasoline and other refined oil taxes (excluded from sales)	$ 28,301,503	$ 24,417,739	$ 21,847,684	$ 19,743,264	$ 17,797,707	$ 15,478,778	$ 11,827,498	$ 12,534,994
Total of above taxes	$ 61,011,623	$ 39,498,972	$ 30,844,423	$ 27,894,798	$ 24,411,810	$ 20,394,434	$ 15,401,486	$ 14,364,649
Additions to and development of properties	$ 27,463,650	$ 28,529,654	$ 33,356,444	$ 23,703,013	$ 20,250,392	$ 12,169,468	$ 10,702,374	$ 8,476,372
Net current assets at year end	$ 61,685,893	$ 59,536,033	$ 64,663,772	$ 48,856,017	$ 28,724,322	$ 36,303,135	$ 28,816,346	$ 28,891,277
Long term debt at year end	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 25,000,000	$ 1,000,000	$ 1,182,916	$ 5,057,519	$ 8,835,583
Stockholders equity at year end	$137,526,132	$123,307,851	$112,261,472	$101,827,373	$ 93,075,898	$ 87,411,747	$ 82,013,537	$ 75,804,331
OPERATING DATA								
Number of net productive wells completed (including Corporation's share of joint wells)	94	140	144	85	26	45	35	37
Cost of dry holes	$ 2,296,448	$ 1,732,300	$ 2,795,984	$ 3,048,968	$ 2,168,640	$ 999,661	$ 1,333,496	$ 661,805
Production of crude oil – net barrels	21,401,000	16,953,000	12,983,000	9,072,000	9,485,000	8,978,000	7,735,000	5,633,000
Purchases of crude oil – barrels	25,777,000	22,742,000	20,387,000	18,040,000	16,735,000	15,839,000	15,417,000	11,755,000
Sales of crude oil – barrels	12,138,000	7,091,000	3,500,000	351,000	378,000	512,000	1,003,000	1,082,000
Crude oil processed at refineries – barrels	37,141,000	35,391,000	30,237,000	27,014,000	25,734,000	24,276,000	22,433,000	16,824,000
Sales of refined products – barrels	36,632,000	37,361,000	26,158,000	25,072,000	24,603,000	24,889,000	26,340,000	15,853,000
EMPLOYEES AND PAY ROLL								
Payroll and retirement benefits	$ 23,438,609	$ 20,823,341	$ 19,617,930	$ 17,842,161	$ 15,119,955	$ 12,759,735	$ 9,430,937	$ 7,195,387
Number of employees at year end	4,592	4,376	4,201	4,126	3,821	3,621	3,206	3,234

*Includes 9½ months of 1937.

Richfield **OIL CORPORATION**

EXECUTIVE OFFICES: 555 SO. FLOWER STREET,
LOS ANGELES 17, CALIFORNIA

We will be pleased to send you a copy of our 1951 Annual Report. Write: Secretary, Richfield Oil Corporation, 555 So. Flower St., Los Angeles 17, Calif.

Johnny Fifer ... REPORTS ON 1951

1951 was Pfeiffer Brewing Company's second best year. Pfeiffer's continued to be the largest selling beer in Michigan by a large margin, and we made significant gains in other markets. But it was the first time in five years that we did not set a new high sales record, and we consider this a challenge to our whole organization.

- Sales were 1,554,384 barrels, 3.9% under the record of 1,618,077 barrels set in 1950.
- Like other breweries, we faced rising costs which were inevitably reflected in our income. Net profit after taxes totalled $2,843,000, equal to $2.37 a share.
- Dividends paid during the year amounted to $2 a share, which represented 84% of our earnings.
- Financial position continued strong. Working capital increased during the year to $2,430,000. Net worth at the year-end was $11,896,000.
- We completed our long-range expansion program, bringing annual capacity up to 2,100,000 barrels. $1,203,000 was spent during the year, bringing total expenditures for plant additions and equipment to $10,549,000 in the five-year period 1947/1951.
- We increased sales and advertising efforts . . . we intend to keep the leadership we have so patiently built up since 1934.

COMPARATIVE HIGHLIGHTS

For the Years Ended December 31:	**1951**	**1950**	**1949**	**1948**	**1947**
Barrels sold	1,554,384	1,618,077	1,438,427	1,093,625	779,998
Gross sales	$38,485,305	$38,646,335	$33,495,298	$25,356,080	$17,874,188
Net sales after excise taxes	$23,260,202	$23,221,521	$19,953,731	$15,085,638	$10,543,469
Income before Federal income taxes	$ 5,372,881	$ 6,530,677	$ 5,999,281	$ 3,408,914	$ 2,485,169
Net income	$ 2,842,881	$ 3,651,215	$ 3,767,877	$ 2,143,987	$ 1,603,868
Earnings per share (1)	$ 2.37	$ 3.05	$ 3.14	$ 1.79	$ 1.34
Working capital	$ 2,430,254	$ 1,708,035	$ 1,981,883	$ 960,757	$ 2,291,523
Net assets (shareholders' equity)	$11,895,786	$11,449,877	$ 9,595,888	$ 6,638,538	$ 5,095,785

(1) Adjusted for 1,198,634 shares outstanding as of December 31, 1951

FOR OUR 1951 ANNUAL REPORT... or other statistical data concerning our operations, write us or our financial public relations counsel, Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

PFEIFFER BREWING COMPANY
3740 BELLEVUE AVENUE • DETROIT 7, MICHIGAN

Heavy-Duty Tools for the Market Analyst

WILLIAM R. LEONARD and LOUIS A. SHAPIRO

KEEPING ABREAST OF CURRENT ECONOMIC DEVELOPMENTS is an especially difficult task today, in view of the number and complexity of economic problems that have grown out of World War II and, more recently, out of the Korean war and rearmament. Yet, up-to-date knowledge is a "must" for the security analyst who is so aware of the intimate connection between changes in basic economic factors and market behavior. The job of keeping up to date has not been made easier by the present-day vast array of economic writings—often contradictory, sometimes more fanciful than factual. If anything, they have tended to add confusion and misunderstanding to a subject that is already difficult enough in these days of growing nationalism. An example comes readily to mind. A list of the published studies and reports on the British dollar situation alone would stagger even the most diligent scholar of this problem.

One solution of these difficulties lies in a regular and more extensive use of a limited set of current statistical series relating to the general economic situation. Market analysts customarily pay close attention to some of the more dramatic and volatile indicators, and some of these are extremely useful. Others, however, are apt to be so volatile that the underlying trend may be obscured. Statistics on profits and losses, net earnings, and the like are basic tools of trade of the market analyst and are very useful. Nevertheless, these tend to reflect a number of random and short-run factors, and, unless they are studied in the light of underlying developments, the analyst may easily be led astray. The particular statistics suggested here are the key economic indicators, and they represent month-to-month changes in the general level of industrial production, employment and unemployment, and prices, as well as financial trends both at home and abroad. It is also suggested that the market analyst select a supplementary number of statistical series relating to his particular field of specialization (e.g., steel, petroleum and coal production, transport, public utilities). Taken together, the two sets of data provide a reliable, quantitative background against which a proper evaluation of the ever-changing picture of the economic situation could be made.

Such statistical information is available in the publications of the Statistical Office of the United Nations. In the short period of six years the Statistical Office, in collaboration with other international organizations such as the International Monetary Fund, has built up a vast storehouse of quantitative material on economic trends and conditions in all areas of the world. This material continues to flow into the United Nations each month from the official statistical services of the national governments, in accordance with a rapid and well-established reporting system. The product of this reporting system is a systematic integrated set of statistical series extending from 1929 to the current month. Never-ending attention to problems of accuracy and comparability of data, over both time and space, enhances their reliability and representativeness.

Up-to-date general economic statistics of over 70 countries are published each month in the *United Nations Monthly Bulletin of Statistics,* issued by that office. To permit ready comparisons of current figures with corresponding data of previous periods, each of the 3,000 statistical series in this publication provides annual information for the prewar years 1937 and 1938; for the years 1948 to 1951, inclusive; and monthly information for the most recent 18-month period. A companion volume, *The United Nations Statistical Yearbook,* provides annual figures on a larger number of subjects and for more countries covering the past twenty years.

It is our belief that the regular use of the *Monthly Bulletin of Statistics,* in conjunction with the *Statistical Yearbook,* would prove very rewarding to the market analyst who endeavors to be conversant with the general economic situation. Several tables in the *Bulletin* would be of particular interest to him.

1. MARKET PRICES OF INDUSTRIAL SHARES

Because of their interdependence, the analyst is required to keep in close touch not only with the market conditions prevailing in his particular field of specialization such as utilities, rails, oil, aircraft, or steel, but also with the general market situation. Information regarding general market conditions is usually sought in the various financial commentaries of the daily press and in the more specialized financial publication and services. A properly constructed index of stock market prices summarizes the day-to-day trends in a most convenient quantitative way.

In the United States, the "industrials" index computed by Standard and Poor's Corporation meets the requirements of the professional statistician. This index covers approximately 365 common shares listed on the New York Stock Exchange. The shares in the index are selected so as to give representation to each of the 69 industrial groups in about the same proportion as those groups are traded on the Stock Exchange. As can be seen from the data in Table 1, the general level of prices on the New York Stock Exchange rose successively in each of the four quarters of 1951; the monthly average was 23% above that of 1950.

Similar rises occurred in "industrials" listed in the stock exchanges of most of the other financial centers of the world. Of the 28 countries for which such indexes are published in the *Bulletin,* 10 countries, mainly in Europe, recorded increases ranging from 10 to 19% and 5 countries from 20 to 29%. Of the four countries with increases of over 30%, Mexico was the highest with a 44% jump between 1950 and 1951. The price rises were more modest, between 1 and 8% in Venezuela, Ireland, New Zealand, and the Union of South Africa, while actual declines occurred in Argentina, Lebanon, and Colombia. The Netherlands' annual index remained unchanged between 1950 and 1951.

Table 1. Market Price of Industrial Shares

Index numbers — 1948 = 100 — Indices

	Argentina Argentine (1) (2)	Australia Australie (2)	Austria Autriche (3)	Belgium Belgique (4)	Canada (5)	Colombia Colombie (1) (2)	Denmark Danemark (6)	Egypt Egypte (7)	Finland Finlande (8)
Shares — Actions →	*16*	*23*	*36*	*400–500*	*82*	*27*	*21*	...	*10*
1937	...	59	...	78	106	75	76	...	49
1938	14 (15)	58	28 (16)	62	88	76	74	...	43
1948	100	100	100	100	100	100	100	100	100
1949	88	96	85	103	96	99	92	87	94
1950	73	114	72	111	119	101	109	82	168
1951	71	137	87	130	160	97	102	...	227
1950 A	69	113	61	113	124	103	114	86	189
S	76	117	66	114	130	103	116	84	190
O	74	120	70	115	134	100	114	83	207
N	77	131	69	110	133	98	107	82	212
D	75	131	67	109	135	97	106	82	195
1951 J	75	136	68	121	144	98	106	93	226
F	77	136	74	121	157	98	108	95	239
M	76	138	76	123	154	97	108	92	266
A	74	143	77	120	158	94	107	90	251
M	71	148	77	120	157	94	107	90	222
J	68	148	77	120	153	93	101	89	227
J	65	147	76	128	155	95	99	87	214
A	66	140	82	132	163	96	98	88	223
S	72	133	93	139	173	99	99	90	224
O	71	129	109	139	177	99	97	89	212
N	72	125	116	140	167	99	97	90	201
D	71	119	120	153	168	100	97	...	217
1952 J	70	...	124	...	174	...	97	...	217

	France (9)	India Inde (2)	Ireland Irlande (1) (4)	Italy Italie (1) (7)	Japan Japon (1)	Lebanon Liban (1) (7)	Mexico Mexique (2) (10)	Netherlands Pays-Bas (2)	NewZealand Nouvelle-Zélande (7)
Shares — Actions →	*122*	*221*	*106*	*122*	*225*	...	...	*27*	*23*
1937	8	76	71	...	...	...	40	57	75
1938	7	63	67	6	...	...	31	56	70
1948	100	100	100	100	100	100	100	100	100
1949	91	76	94	125	211	82	120	91	96
1950	89	78	93	123	119	75	153	90	105
1951	112	88	95	...	145	...	221	90	...
1950 A	89	83	93	124	136	75	158	87	105
S	93	81	93	124	133	74	159	91	107
O	90	80	95	137	126	73	162	92	107
N	89	81	94	134	134	73	167	92	109
D	83	83	94	126	124	73	172	90	112
1951 J	92	87	94	133	127	75	191	93	115
F	101	87	93	139	142	75	207	95	113
M	103	89	93	141	148	74	214	94	113
A	104	94	92	131	135	73	215	92	112
M	104	96	93	132	136	73	220	90	112
J	108	96	94	130	142	73	224	88	112
J	107	89	95	134	137	73	226	87	110
A	119	86	96	...	146	73	226	86	110
S	126	86	98	140	154	73	228	88	109
O	128	85	100	139	163	...	241	90	107
N	124	83	100	143	154	73	233	86	102
D	129	81	92	...	154	73	227	86	...
1952 J	147	82	...	...	...	78	232	85	...

Source. *International Monetary Fund.*
General note. See page 139.
Footnotes. See following page.

Source. *Fonds Monétaire International.*
Remarque générale. Voir page 139.
Renvois. Voir page suivante.

Table 1 (Continued)

Index numbers — 1948 = 100 — Indices

	Norway Norvège (3)	Peru Pérou (2)	Portugal (1) (2)	Spain Espagne (1) (2)	Sweden Suède (7) (11)	Switzerland Suisse (8)	Union of So. Africa Union Sud-Africaine (2)	United Kingdom Royaume-Uni (12) (13)	United States Etats-Unis (14)	Venezuela (7)
Shares — Actions	*56*	*18*	*19*	*29*	*46*	*32*	*40*	*96*	*365*	*9*
1937	71	72	...	...	76	69	46	85	90	45
1938	64	80	89	...	73	84	40	70	69	48
1948	100	100	100	100	100	100	100	100	100	100
1949	97	82	81	83	100	91	77	89	98	97
1950	105	82	78	80	117	98	72	90	120	101
1951	116	91	...	...	155	117	78	104	147	102
1950 A	107	83	77	79	118	96	69	90	121	104
S	112	83	78	80	121	101	73	94	125	103
O	111	84	79	80	122	104	74	94	131	102
N	113	84	80	80	128	104	75	94	129	96
D	113	88	81	81	133	104	74	93	131	95
1951 J	118	91	87	85	142	110	75	96	140	103
F	120	92	90	90	147	112	79	98	145	109
M	121	89	88	92	147	115	80	97	141	104
A	119	90	86	86	149	118	81	106	143	99
M	117	91	85	86	153	118	81	109	145	102
J	114	91	87	84	152	117	80	110	143	101
J	114	91	87	86	155	116	78	103	144	101
A	115	91	88	89	163	119	79	107	152	101
S	114	91	90	91	169	121	79	109	157	101
O	115	91	90	...	168	123	78	112	155	100
N	114	93	91	...	158	120	76	101	148	101
D	113	96	...	...	160	120	74	99	152	101
1952 J	116	...	...	...	...	125	...	93	156	...

(1) General index.
(2) Average of daily quotations.
(3) Mid-month quotations.
(4) Beginning of the following month quotations.
(5) Average of Thursday quotations.
(6) Average of highest and lowest quotations of month.
(7) End of month quotations.
(8) Average of Friday quotations.
(9) Last Friday of the month.
(10) Source: *Nacional Financiera.*
(11) Source: *Affärsvärlden.*
(12) Last Thursday of month quotations.
(13) Source: *Investors' Chronicle.*
(14) Average of Wednesday quotations. Source: *Standard and Poor's Corporation.*
(15) December.
(16) March.

(1) Indice général.
(2) Moyenne des cotations journalières.
(3) Cotations du milieu du mois.
(4) Cotations du début du mois suivant.
(5) Moyenne des cotations du jeudi.
(6) Moyenne des cours maximum et minimum du mois.
(7) Cotations de la fin du mois.
(8) Moyenne des cotations du vendredi.
(9) Dernier vendredi du mois.
(10) Source: *Nacional Financiera.*
(11) Source: *Affärsvärlden.*
(12) Cotations du dernier jeudi du mois.
(13) Source: *Investors' Chronicle.*
(14) Moyenne des cotations du mercredi. Source: *Standard and Poor's Corporation.*
(15) Décembre.
(16) Mars.

2. YIELDS OF LONG-TERM GOVERNMENT BONDS

What is the present situation in the government bond markets of the various countries of the world? Specifically, what are the current yields of long-term bonds compared with those of a year ago? Statistical data providing information on such questions are brought together in the *Bulletin* for 25 countries each month. The figures in the March issue, for example, indicate that the trend in bond yields continues upwards in almost all countries. The actual extent of this movement between January 1950 and January 1951 in eight countries is indicated in Table 2.

3. MONEY SUPPLY

The volume of money in circulation is generally considered a sensitive barometer of inflationary conditions. Month-to-month changes in the volume are summarized for 55 countries in the *Bulletin,* where statistics on the holdings of business, individuals, and foreigners of (*a*) notes and coin and (*b*) deposit money (deposits in money creating banks subject to check or withdrawable on demand) are shown.

In the United States the total money supply rose 12%, from $111 billion in July 1950 to over $124 billion in December 1951. The expansion occurred mainly in current account deposits, which amounted to $98 billion last December. An increase in the amount of money in circulation has also been experienced in almost every other country of the world since the Korean war. The magnitude of the rises has, however, varied considerably between different countries.

4. INDEX NUMBER OF WHOLESALE PRICES

Another very useful barometer of inflationary pressures is the month-to-month behavior of wholesale prices, as

Table 2
Per Cent per Annum

	Jan 1952	Jan 1951
Canada, 15-year	3.54	3.02
Denmark, 3 1/2% irredeemables	5.32	4.90
France, 3% irredeemables	5.62	5.48
India, 3% 1966-68	3.77	3.20
Netherlands, 2 1/2% irredeemables	3.58	3.23
New Zealand, 3% 1960-63	3.52	3.02
United Kingdom, 2 1/2% Consols	4.09	3.53
United States, taxable bonds	2.74	2.39

measured by the movements of an index of wholesale prices. An analysis of the indices for 45 countries published in the *Bulletin* reveals that prices at the wholesale level rose sharply in the first six months following the Korean outbreak. They continued upward at a less rapid rate through 1951, except for a handful of countries where the indices began to level off and even fall by the third quarter of that year. In the United States wholesale prices, in general, rose 10% in the short period between July 1950 and January 1951 and have since remained at about that level. The upward spiral has continued unabated in France—in January of this year the index stood at 45% above the level of 18 months ago. Jumps of the same order of magnitude have occurred in Chile, Ireland, and Japan. United Kingdom prices had risen 28% by last January.

Price trends of raw materials, compared with finished goods, and import goods, compared with export goods, show up graphically in a *Bulletin* table. Price movements of 37 of the principal raw materials in the leading producer and consumer countries round out the information in The *Bulletin* on this important subject.

5. INDEX NUMBERS OF INDUSTRIAL PRODUCTION

It is of interest to the market analyst to know not only whether the Nation's industrial output is rising or declining or remaining stationary, but also by how much, and at what rate. It is obviously not possible to arrive at any significant conclusions about the over-all picture by studying the production trends of a particular number of industries, and it is equally difficult to study the trends of all industries. Such questions, however, are quickly answered by the use of an index of industrial production with an adequate coverage and a proper system of weighting. Indices of this type are included for 27 of the leading industrial countries in each issue of the *Bulletin*. A cursory examination of these data would enable the reader to gain a clear impression of the current production picture seen in the light of corresponding achievements of the past. Statistics of industrial production for the year 1951 are now at hand. In the United States, for example, output in 1951 was 11% higher than in 1950 and no less than 150% higher than in 1938.

Separate indices are also shown, where available, for mining, manufacturing, construction, and public utilities. The trends of these particular indices, compared with those of the general indices, offer the reader an insight into the make-up of the over-all pattern of industrial production—they point up the sectors of industry that are growing, those that are declining and those that are just holding their own.

6. EMPLOYMENT AND UNEMPLOYMENT

Statistics of industrial employment and unemployment reveal in the most dramatic fashion the the state of a nation's economic health. It is no wonder that the average American, in the absence of statistics, could guess more accurately the size of the U. S. labor force and the number of unemployed than the level of current industrial output compared with some previous period. A single column of figures in the *Bulletin* table "Employment in Manufacturing" summarizes the story of employment in the United States since 1937. In 1951 average monthly employment was 6% above that in 1950, 12% above 1949, and 76% above 1938. And what about unemployment? An average of 1,880,000 persons remained unemployed each month during 1951, representing 3% of the total labor force. This may be compared with over 10 million (or 19%) in 1938. The trends in employment and unemployment are equally striking in other industrial countries, as reflected by comparable statistics in the *Bulletin*.

SHOULD PROVIDE ADEQUATE SET OF TOOLS

These types of general economic indicators, whether used alone or in relation to each other, should provide the market analyst with an adequate set of tools to evaluate quantitatively, and with relative ease, the current economic situation, both domestically and internationally.

The analyst, in addition, would wish to observe statistically the significant changes in particular sectors of the economy. This information is also published in the *Monthly Bulletin of Statistics*. If mining happens to be his field of interest, attention is directed to the monthly production series for practically all of the principal countries producing coal, lignite, natural gas, crude petroleum, iron ore, and tin concentrates. Production data for pig iron, steel, and most of the nonferrous metals are also shown. In the manufacturing sector, output statistics of particular types of foods, textiles, building materials, and so on are reported regularly. Monthly statistics on electricity production should be of particular help to analysts specializing in public utilities, while the traffic statistics of shipping, railroad, and air line companies of the various countries of the world are useful for experts in the transport field.

In short, the statistics are there, all ready for consideration. They are waiting to be profitably evaluated and used.

Report of Progress for 1951

AMERICAN BOSCH CORPORATION

and its subsidiary

ARMA CORPORATION

American Bosch and Arma are strategically balanced in their production of goods for both peace and war.

American Bosch is the nation's largest independent producer of fuel injection systems and an important manufacturer of automotive and aviation electrical equipment—serving the fast moving fields of Diesel, gasoline, natural gas, jet and turbo-jet engines.

Arma Corporation is a leader in the design and manufacture of vital electronic devices for the Armed Forces. More recently Arma has assumed a responsible position in the national atomic energy program. These developments in electronic computers and controls give promise of important industrial applications.

Financial Highlights of 1951 Income Account

	1951	1950
Net Sales	$75,898,047	$35,902,274
Income Before Taxes	7,894,820	5,459,035
Less: Federal Income Tax and Provision for Renegotiation	4,270,000	2,583,793
Federal Excess Profits Tax	1,017,000	330,000
Net Income (After Taxes and Provision for Renegotiation)	2,607,820	2,545,242
Per Share of Common Stock (Based on 1,308,995 shares of common stock currently outstanding)	1.91	1.90
Dividends Paid	1,648,469	1,232,071
Per Share of Common Stock	1.20	1.05

Unfilled orders totaled $86,000,000 at the end of the year.

Condensed Statement of Financial Position

December 31,	1951	1950
Current Assets: Cash, Accounts Receivable, Inventories, less reserves	$40,047,093	$18,721,855
Current Liabilities: V-Loan, Accounts Payable, Taxes and Miscellaneous	30,101,026	8,086,332
Working Capital: Net Current Assets	9,946,067	10,635,523
Property, Plant and Equipment, less reserves	5,376,468	3,190,339
Miscellaneous Assets	156,737	223,292
Goodwill, Patents and Tracings	1	1
	$15,479,273	$14,049,155
Less: Long Term Debt	3,239,000	3,600,000
Stockholders' Equity	$12,240,273	$10,449,155
Consisting of:		
5% Cumulative Preferred Stock (Retired Jan. 2, 1951)	$ ——	$ 1,633,600
5% Cumulative Preferred Stock, Series A	1,650,000	——
5% Cumulative Preferred Stock, Series B	1,000,000	——
Common Stock	2,646,790	2,646,790
Surplus	6,943,483	6,168,765
	$12,240,273	$10,449,155

AMERICAN BOSCH CORPORATION

SPRINGFIELD 7, MASS.

Subsidiary: **ARMA CORPORATION,** Mineola, N. Y. • Brooklyn, N. Y.

American-Marietta continues its progress through expansion of existing facilities and by acquiring other sound and basic companies. Prominent among those which have become identified with the American-Marietta family since 1940 are companies represented by the trademarks below.

1942
Ferbert-Schorndorfer Company

1944
Sewall Paint & Varnish Co.

1945
O. P. W. Paints Limited

1946
Charles R. Long, Jr. Company

1947
Berry Brothers, Incorporated

1949
United Brick & Tile Co.

1950
The Master Builders Company

1951
India Paint & Lacquer Co.

1951
Metals Disintegrating Company, Inc.

1951
The Arco Company

While American-Marietta has enjoyed a steady and impressive growth through acquisitions, a sales increase of 433% has come from the development and internal expansion of facilities existing in 1940.

A COPY OF AMERICAN-MARIETTA'S ANNUAL REPORT SENT ON REQUEST
Address: Dept. R

How A·M Has Grown

YEAR	NET SALES	WORKING CAPITAL	NET WORTH	PROFIT BEFORE TAXES	NET PROFIT AFTER TAXES
1951	66,458,313*	16,720,800	22,014,977	6,742,054*	2,827,054*
1950	44,100,903*	11,241,057	17,011,738	5,466,629*	3,101,629*
1945	13,438,657	3,316,102	3,286,279	1,217,467	364,251
1940	2,918,177	699,568	1,788,662	136,798	105,145

*Pro forma

CONDENSED CONSOLIDATED BALANCE SHEET

NOVEMBER 30, 1951

ASSETS		LIABILITIES	
Current Assets	$26,175,338	Current Liabilities	$ 9,454,538
Property, Plant & Equipment—Net	10,940,199	Long-Term Indebtedness	5,464,662
Investments	1,220,532	Minority Interests	2,023,166
Other Assets	621,273	Net Worth	22,014,976
Total Assets	$38,957,342	Total Liabilities	$38,957,342

COMMON SHARE EARNINGS.......$5.07
(excluding Class B)

PREFERRED SHARE EARNINGS.....$56.54

On November 30, 1951, American-Marietta completed its 38th year of successful operations. Despite the load of higher taxes and rising costs, net profit during the year closely approached the total sales volume of a decade ago. The rapid acceleration of recent years reflects the Company's accent on technical research, production efficiency, strong management and aggressive day-to-day marketing opportunities. Those who know American-Marietta well expect great achievements in the years ahead.

NOW O-cedar Joins American-Marietta

The famous O-Cedar Corporation of Chicago has become the newest member of the expanding American-Marietta family. O-Cedar's reputation for top quality polishes, waxes, mops and other housecleaning products is well established and favorably known from coast-to-coast. Since 1908, more than 14 million advertising dollars have been invested in the O-Cedar trademark.

Revolutionary
O-Cedar
SPONGE MOP
... the WET MOP you Don't Have to WRING!

150,000 Retailers Display and Sell O-Cedar Housekeeping Helps!

Last year more than 12 million O-Cedar branded housecleaning products moved from store shelves into American homes. Now, backed by American-Marietta, O-Cedar is destined to extend its leading sales position in major markets everywhere.

Over 4½ Million Bottles of Dri-Glo Furniture Polish Sold Last Year!

AMERICAN-MARIETTA COMPANY

General Offices: American-Marietta Building, 101 East Ontario Street, Chicago 11, Illinois
Plants Located Throughout the United States and Canada

PAINTS • CHEMICALS • ADHESIVES
RESINS • METAL POWDERS • BUILDING PRODUCTS
Used Throughout the World... In Industry, on Farms and in Countless Homes and Public Buildings

The Floor Coverings Industry

WILLIAM F. C. EWING

THE YEAR 1951 was one of the most difficult in the long history of the floor coverings industry. Undoubtedly we shall have other troubled years in the future. However, since the beginnings of civilization man has always wanted coverings for his floors with which to provide warmth, decoration, and comfort underfoot. Floor coverings today play a fundamental part in the furnishing of any home or commercial building. Furthermore, current developments in our industry should have a profound effect on future demand for these products and should go a long way toward minimizing the effects of the forces we experienced in 1951.

ASPECTS OF INTEREST TO INVESTORS

Though there are many aspects to the virtual revolution that is now taking place in the floor coverings industry, there are four that should be of primary interest to investors:

1. Release from our former complete dependence on foreign carpet wools, through the development and rapidly increasing use of manmade fibers, and other fibers such as cotton, in the production of carpets and rugs.
2. The development of vinyl plastic floor tiles and other hard-surface products suited both to new construction and to the demands of home owners who want to do their own installations.
3. Modernization of existing production facilities, construction of new facilities, and improvements in operating techniques.
4. Increased diversification on the part of companies in the industry, both in floor covering products and in other areas of activity as well.

It is probable that with Alexander Smith, for example, the results of our operations in 1951 would have been more satisfactory had we been further advanced in any one of these four programs. Considerable progress has been made, but much remains to be done, and the real benefits lie ahead.

WERE STILL SHACKLED TO A SHEEP

Many of our difficulties in 1951 sprang from the fact that we were, to borrow a descriptive phrase from one of our competitors, still largely shackled to a sheep in our carpet operations. Traditionally we have depended on foreign carpet wools to provide the basic raw material for the manufacture of carpets and rugs. For the first hundred years of our existence we were usually able to get adequate quantities of wool at reasonable prices. But since World War II the supply of foreign wools has been dwindling, and the prices of these wools have fluctuated wildly.

MANY SOURCES OF WOOL CUT OFF

Many of our former sources of wool supply have been cut off. In other countries, embargoes and export duties have either reduced shipments or substantially increased the price. The fibers used in the pile of conventional carpets and rugs must be tough, coarse, and resilient. American wools are apparel wools—too fine and too costly for carpet use—and so we have used coarser wools from sheep raised in such countries as Scotland, Iran, India, China, New Zealand, and Argentina. China wools are now on the wrong side of the Iron Curtain, India and Pakistan have substantial export duties on their wools, and speculation in other markets has made supplies difficult to obtain except at greatly inflated prices. This has been a matter of great concern to carpet companies, inasmuch as raw materials constitute as much as 40% of the total cost of each rug or carpet sold.

STARTED 1951 AT PEAK CAPACITY

At Alexander Smith we started 1951 with the two biggest months sales-wise in our history. We operated at peak capacity in an effort to keep up with the extremely heavy consumer demand which had been stimulated by the Korean war and the fear of shortages of consumer goods. Nevertheless, we were operating in the face of soaring wool prices which early in the year rose as high as $2.35 a pound—up almost 700% over the level of January 1947.

Despite increasing availability and use of manmade fibers, steadily rising wool prices necessitated a succession of increases in carpet prices culminating with an OPS-authorized increase of 15% in March 1951. This increase coincided with a sudden slackening in demand, not only for carpets and rugs, but for practically all consumer products as well.

COMPLETE REVERSAL IN SALES PICTURE

The net result was a complete reversal in our sales picture in a matter of only two or three weeks. We withdrew almost completely from the wool market for a time, and during spring and summer Alexander Smith and other U. S. carpet companies bought practically no foreign wools. Wool prices then came down almost as precipitously as they had gone up. Lower wool prices, together with increaesd availability of domestic manmade fibers, made possible reductions in carpet prices during the summer and fall. In view of falling prices coupled with heavy inventories of finished goods at both mill and retail levels, output continued low for the remainder of the year, and it was necessary to operate at greatly reduced production levels.

MANMADE CARPET FIBERS

No picture, however, is ever entirely black. Long after the operating results of the year are forgotten, I believe 1951 will be remembered as the year the carpet industry freed itself from complete dependence on foreign wools and swung over to the widespread use of American-made chemical fibers at reasonable prices in assured supply.

The development of these new fibers, specifically engineered for carpet use, has been going on over the past fifteen years. This work has been carried on jointly by the U. S. carpet companies, and such fiber producers as Celanese, American Viscose, and Tennessee Eastman.

NEW CHEMICAL FIBERS SIGNIFICANT

It is only in the past two or three years, however, that the new chemical fibers have come into significant use by the carpet industry. In 1949, for example, the consumption of carpet rayon and acetate fibers was only 2,700,000 pounds. In 1950 it rose to 12,500,000 pounds, and in 1951 to an estimated 32 million pounds.

This spring almost 70% of Alexander Smith's carpet and rug grades include manmade fibers in their construction. Under these circumstances we believe it is most unlikely that we shall again be faced with a materials problem of the severity we experienced a year ago.

In the development of new carpet fibers we have been only partially concerned with the problem of finding replacements for wool. Carpet wools, in general, possess many excellent properties for carpet use. But they also possess a number of undesirable qualities, aside from questions of availability or price. No wool, for example, is pure white. Wools range in color all the way from off-white to dark brown or black. Some wools are strong and crimpy and resilient; others are weak and skimpy. Some dye well, others do not. As a result, wool carpets and rugs are woven from a blend of wools, the specific blend being determined in each case by the quality, color, and price of the fabric and the use for which it is intended.

A PROBLEM OF ENGINEERING

The search for new carpet fibers has, therefore, not been that of finding fibers that are "just like wool" but rather that of finding fibers which produce as good soft floor coverings as or better than those made solely of wool. Already the industry has been and is using a number of such fibers, either alone or blended with wool or other fibers. However, we confidently believe that these fibers are only the first of many new and improved materials which will become available. The development of new carpets and rugs is almost entirely a problem of engineering—to devise new constructions and processing techniques to utilize existing fibers and to spur the development of new materials which will yield even more desirable products.

NOT ALL BEER AND SKITTLES

Like all innovations, the transition from a traditional line of carpets and rugs, produced by conventional methods from a material that has been standard since Biblical days, to an entirely new range of products, has not been all beer and skittles. Dealer and consumer resistance was inevitable. However, there have been some factors in our market since World War II that have been definitely helpful. For one thing, the styling of carpets and rugs has changed radically in the past four or five years. This change was initiated after the war by companies in the carpet industry, as part of a major program to stimulate sales. Consumers were quick to respond to the new styling. The traditional prewar florals and other figured patterns have been largely replaced by fabrics in which the appeal lies in color and surface appearance and in pattern created by varying textures and pile heights.

TAXED INGENUITY OF RESEARCH PERSONNEL

These style changes, together with greatly increased demand for broadloom carpeting woven 12 feet or more in width, have taxed the resources and ingenuity of our research, development, and production personnel to the full. But in their search for new carpet constructions and effects they have produced many new fabrics of outstanding appeal to consumers, which are possible only with the use of the new manmade fibers.

The demand for lower-priced carpets and rugs by today's highly price-conscious consumers has also made easier the introduction and acceptance of floor coverings woven in whole or in part from new fibers. These new fabrics possess all the desirable service characteristics inherent in good carpet, and, when assured of this fact, consumers make their selections with little concern for fiber content.

COTTON HAS GRADUATED FROM THE BATHROOM

One other fiber is currently having a great impact on the production and sale of soft floor coverings. That fiber is cotton. Only three or four years ago people thought of cotton only in connection with small bath mats or scatter rugs for bedroom use. Today cotton rugs and carpets have achieved a very significant place in the floor covering field, and they will probably become even more important. People like their clear bright colors, their interesting field-of-grain-in-the-wind surface appeal, their easy washability, and their moderate price. No longer are cotton floor coverings relegated to the bathroom and bedroom only.

Cotton is the outstanding refutation of the now outmoded concept that to be any good a carpet fiber must be wool or physically "just like wool." Compared with wool, cotton fibers are thin and short and lacking in resilience. In order to produce cotton carpeting of the type so popular today, it was necessary to develop entirely new production techniques, which would capitalize on the properties that cotton fibers possess, rather than somehow get around what used to be considered their weaknesses. Cotton broadloom carpets and rugs are now an integral part of the Alexander Smith line and the lines of most other major carpet producers.

INDUSTRY HAS BROKEN WITH TRADITION

The carpet industry has broken with tradition in a search for new fibers and new fabrics that will greatly increase the size of our market. If we compare 1951 with 1939, sales of wool carpets and rugs at wholesale increased 219%, from $135 million to $430 million. However, sales on a square yard basis increased only about 5%. The really significant yardage gains have been made in fabrics constructed of other fibers. And so today the emphasis in all our carpet activities—research, development, styling, production, and sales—is directed toward meeting the growing demand for good, serviceable, well-styled floor coverings at moderate prices. Alexander Smith has always led the field in producing for the mass market. For a time economic forces threatened to take us out of that market. But new lower-priced fibers, domestically produced in adequate quantities, together with continued advances in production techniques, are opening new horizons. We intend to take full advantage of our opportunities.

NEW HARD-SURFACE PRODUCTS

Hard-surface floor covering products have been manufactured in the United States for as long a period of time as carpets and rugs. Sloane-Blabon Corporation, for example, which constitutes Alexander Smith's hard-surface division, is the modern outgrowth of a company founded in 1807. The first hard-surface floor covering was simply a very heavy oil cloth. It was not until much later in the century that linoleum, as we know it today, was introduced. Printed enamel floor coverings were not brought out until about 1914. It was not until the late 1920's that the next new hard-surface product, asphalt tile, made its appearance. Rubber tile was first introduced in the 1930's.

During the course of more than a century, therefore, there were relatively few significant developments in the hard-surface field. As with carpets and rugs, the real story lies primarily in the developments that have occurred since World War II.

PER CAPITA CONSUMPTION RISING STEADILY

The per capita consumption of hard-surface floor coverings has been rising steadily in recent years, particularly since the war. This has been due in part to the construction of millions of new homes and commercial buildings. It has also been due to a greatly increased demand in the replacement market. Steadily rising costs of labor and materials have caused numerous changes in building construction methods since the war. In many cases, for example, houses are being built without finished flooring. These houses have either concrete slab floors or only rough wood subflooring which is finished off by the addition of hard- or soft-surface floor coverings.

Rising labor costs have also had a profound effect on the character of the demand in the replacement market. Today's home owner wants to "do it himself." He wants, for example, hard-surface floor coverings which he or a handyman can lay with minimum effort and with professional results. He also wants, in this maidless society, floor coverings that can be maintained with maximum ease.

TWO MAJOR DEVELOPMENTS

It is characteristic of American industry to meet a change in demand promptly and effectively. In the hard-surface field we have met the new requirements of our market in two ways. The first step was the introduction of all hard-surface products in tile form. Tiles, either six or nine inches square, can be installed easily and quickly and with minimum waste by almost anyone. The advertisements you see today which show a housewife putting a new floor in her kitchen are no exaggeration.

The greatly increased interest in home decoration which has developed since the war has also had a marked effect on the demand for floor tiles. The styling of hard-surface products has changed just as radically as the styling of carpets and rugs. The emphasis is now all on color and texture effects and individuality in each installation. People no longer are content with floors that merely meet their service requirements. They want floors that are distinctive and different from those of their friends. Tiles offer individuality in that the home owner can select his floor from among almost countless combinations of tile colors and patterns and effects. In fact, tile floors have become so popular as decorative elements that a variety of simulated tile effects are now produced in linoleum and printed enamel yard goods!

The second major development, namely, the production and marketing of new plastic floor coverings, is undoubtedly one of the most significant in the history of the hard-surface industry. These new products are made from polyvinyl chloride compositions which have been developed by a number of important companies in the chemical and rubber industries.

One of the first plastic floor coverings to be marketed was Sloane-Blabon's Koroseal tile which was introduced in 1946. This product is manufactured under an exclusive agreement with B. F. Goodrich Company. From 1946 until this year Koroseal tiles were produced only in one heavy weight of tile. These tiles are relatively high priced, and for that reason they have not been advertised or actively promoted in the past, despite their outstanding beauty, ease of maintenance, and extreme durability. Nevertheless, sales of these tiles have shown a consistent growth every year. Koroseal tiles have proven equally outstanding in both commercial and domestic installations.

GREAT POTENTIAL MARKET FOR PLASTIC TILE

From these facts it was apparent that there exists a great potential market for plastic floor coverings, provided they could be produced in tile weights that could sell at popular prices. It has taken a great deal of engineering work to bring such products to the market. This work has now been accomplished. Sloane-Blabon has just introduced two new weights of Koroseal tile which bring this product into the low-and medium-price brackets for the first time. The lowest priced of the three Koroseal tile products, Koroseal Special, retails at only 14 cents per 9-inch tile, which compares very favorably with the price of conventional hard-surface products.

Vinyl plastic floor coverings have numerous outstanding advantages to the consumer. They have great beauty; they are easy to install and easy to maintain. The colors are clear and sparkling. They are extremely long wearing, and their hard surface is impervious to grease, dirt, and normal household alkalies and acids so that they can be kept clean with minimum effort.

To the manufacturer vinyl plastic floor coverings offer the same advantage that the new carpet fibers offer in soft floor coverings—ready availability of adequate supplies at reasonable prices from well-known domestic producers. We believe that these new floor coverings have a big market potential and that with aggressive advertising and promotion they will rapidly achieve a position of real importance in the total floor covering picture.

RESILIENT WALL COVERINGS

There is one other development in the hard-surface field that is helping materially to expand the market for hard-surface products. This is the production of resilient wall coverings, usually in tile patterns, for use in kitchens, bathrooms, and other service areas. These products offer the same advantages as their floor covering counterparts. They are inexpensive in both initial cost and installation. They can be readily installed by the home owner with only a few simple tools. Being made in roll goods form, they can be cut and pasted on the walls easily and quickly. Furthermore, they are colorful, simple to clean, and long wearing under normal use. When one considers the amount of yardage that wall areas represent, in addition to floors, it is easy to see why manufacturers in our field are giving great attention to this new market for hard-surface products!

NEW PLANTS, NEW EQUIPMENT

For many years floor covering manufacturers found little need for changes in productive facilities beyond normal requirements for maintenance and replacement of equipment. However, since World War II the situation has changed radically on numerous counts. The recent rapid and very pronounced growth in consumer demand for broadloom carpeting 12, 15, and 18 feet wide, for example, made necessary the purchase and installation of many new wide looms. In numerous cases existing plant buildings were ill-suited to the production, handling, and storage of wider carpeting. New products and shifting consumer demand have posed similar problems in hard-surface plants.

In the days of lower labor rates materials handling and a relatively high ratio of indirect labor in carpet production were not of great concern. But, with the great increase in all costs and increased competitive pressure from other industries in the battle for the consumer's dollar, these have become matters of real importance.

HAVE SPENT MLLIONS OF DOLLARS

Since the war, companies in the floor coverings industry have spent many millions of dollars in the purchase of new equipment, in the modernization of existing plants and facilities, and in the construction of new ones. We have completely modernized Sloane-Blabon's plants at Trenton, N. J., and Philadelphia. Our big carpet mill at Yonkers, N. Y., has presented more of a problem, inasmuch as many of the buildings were constructed earlier than Sloane-Blabon's. Nevertheless, we have made real progress there. We have concentrated primarily on tightening management controls and revamping our operating procedures to meet new product demands and reduce operating costs. Through these efforts we have substantially reduced the number of personnel required at all levels for normal operations. This year we shall begin the long job of realigning our plant and equipment in order to make Yonkers as efficient and profitable as we possibly can.

One carpet company has constructed an entirely new plant in recent years. We are now engaged in a similar project. Construction of our new carpet mill at Greenville, Miss., was started during 1951. The mill is being built to our specifications by the city of Greenville at a cost of approximately $6 million, financed largely by a local bond issue. We will equip the plant on completion, and we will rent the building from the city at an annual fee approximating the cost to Greenville on a twenty-year write-off basis. The new mill will be a completely modern integrated operation in which we plan to produce a new-type Axminster carpet.

REQUIRES LARGE CAPITAL EXPENDITURE

Other companies in the industry also have continuing programs for the modernization of facilities. Such programs require large capital expenditures, but the expenditures are well justified in terms of potential return. The programs include the purchase and equipping of plants which will produce some of the raw materials used in floor covering manufacture. Two of the largest carpet producers have secured outright or controlling interests in plants producing rayon or acetate for use in carpet production. A number of companies, including ours, have acquired plants for processing materials in intermediate stages of manufacture such as wool and cotton yarns and backing materials.

DIVERSIFICATION

Floor covering sales have tended to move in close relationship to the volume of new construction and the relative prosperity of consumers. In the past the profitability of floor covering operations has also been vulnerable to fluctuations in raw material prices, often severe, as in the case of carpet wools since the war. For these reasons, we have been giving increasing attention to diversifying our operations in an effort to level out the peaks and valleys and produce greater stability of earnings.

AIR FELT

For example, we have established a third area of activity in our company—the products division—which is charged with the responsibility of developing and marketing new industrial products and processes outside the normal field of floor coverings operations. The most interesting development to date is a product we have called Air Felt. The name covers a wide variety of felted materials produced on a machine which lays fibers of varying lengths together in a completely random fashion. One significant feature of the process is its ability to utilize the by-products of carpet manufacture. Short wool fibers, formerly unusable for spinning into yarn, can now be made into a variety of useful materials, either by themselves or in combination with other fibers. Strength and resilience are secured by laying the fibers at random rather than in a regular pattern, with the result that unusual tensile strength in all directions is achieved.

Air Felt in its various forms has many possible industrial applications, including such uses as filters, padding, and insulation. For the present we are concentrating on the production of felted materials used in the overstuffing of chairs and sofas by the furniture industry. These materials afford furniture manufacturers significant savings in time, labor, and storage costs. Because of these savings, we are able to provide competitively priced furniture cushions of superior quality due to the outstanding resilience and "bounce" of wool compared to the conventional cotton filling. We have secured exclusive rights to use the machine that produces Air Felt, and we are purchasing and installing machines from the manufacturer as rapidly as they can be built. Commercial production of Air Felt was started at our Yonkers mill on a small scale in the fall of 1951. More recently we have installed additional production facilities in a portion of our carpet warehouse building in Chicago in order to be as close as possible to a major market for furniture cushion assemblies.

THE TEXTRALIZING PROCESS

Our products division is also engaged in further development and marketing of the company's patented Textralizing process. This process, which originated in the laboratories of our research and development department, imparts a permanent crimp to wool and other fibers to increase bulk, resilience, and wear. Textralizing has been used to great advantage in our own mill at Yonkers, and a number of other companies have been licensed to use the process. Additional research into its potentialities in various fields is being carried on.

A number of carpet producers including Alexander Smith are currently engaged in the production of substantial quantities of cotton duck for the Armed Forces on converted carpet looms. Some companies are also producing blanket cloth and other woven materials. Although these assignments are not large in terms of the industry's total capacity, they nevertheless perform an essential function and represent plus business.

The carpet industry produced millions of square yards of duck and blanket cloth during World War II, and current orders make it possible for the companies involved to maintain their skills in these activities against the possibility of renewed full-scale activity. Both hard- and soft-surface floor covering manufacturers have the capacity and know-how to manufacture a wide variety of military goods, just as they did during World War II, many of which bear little or no similarity to normal peacetime products.

NEW HORIZONS

The floor coverings industry is old in years and experience, but it would be a mistake to assume that it is lacking in vitality or imagination, or that it has stopped growing. On the contrary, I believe that the industry has entered a new period of growth which will probably prove to be one of the most significant in its history.

The floor coverings industry has had its good times and its bad times just like any other. But over the years it has progressed steadily, and it has paid highly satisfactory returns to those who have had a stake in it. For example, Alexander Smith has paid a total of $100 million in dividends on an original investment of $300,000, and has paid a dividend every year except 1930, 1931, 1932, and 1938 since its incorporation in 1873.

REVOLUTION IS IN FULL SWING

The revolution in floor coverings is in full swing. Much remains to be done in order to capitalize fully on the potentials of our future markets. But a great deal has already been accomplished. New carpet fibers, new plastics for hard-surface products, modernization of facilities, and greater product diversification are opening new horizons for an industry which has a long and successful record of filling a basic human demand.

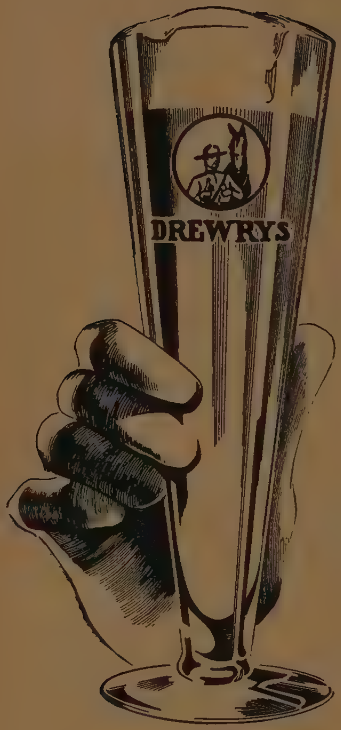
* * *

Prices reached a peak in 1849. ". . . eggs were sold at one, two, and three dollars apiece; sugar, tea, and coffee at four dollars a pound . . . spirits were sold at various prices, from ten to forty dollars a quart."

An Act to incorporate the city of San Francisco passed April 15, 1850.

1851 — June 11 . . . "The 'Vigilance Committee' is at last formed, and in good working order. They hanged at two o'clock this morning upon the plaza one Jenkins, for stealing a safe."

PROGRESS REPORT FOR 1951



- The most important development of 1951 was the merger into Drewrys of two Chicago breweries—Atlas Brewing Company and Schoenhofen Edelweiss Company. Both will operate as divisions of Drewrys Limited and will continue their own well-known brands, ATLAS PRAGER and EDELWEISS. 77,223 shares of $50 par, 5¾% preferred stock were issued for the outstanding stock of the two Chicago companies.

- Consolidated sales (including two months' operations of the new Chicago divisions) were 829,253 barrels. Sales of Drewrys South Bend alone rose 5.7% to a record high of 771,890 barrels, despite keener competition throughout our markets.

- Higher labor and material costs, and the need for greater advertising expenditures, were reflected in a decline of 21.7% in profits before taxes. Consolidated net income after taxes was $939,452. Common stock earnings were equivalent to $1.46 a share, against $2.05 in 1950. Dividends on the common stock were $1.45 a share, compared with $1.10 a year earlier.

- Financial position was further strengthened by the merger. Working capital increased to $3,736,376. Common stock equity rose to $12.44 a share, compared with $8.85 at the end of 1950.

- The brewing industry appears to have good prospects for the current year. While we expect our markets to remain highly competitive, we believe we can make further progress in 1952.

Carleton S. Smith

President

COMPARATIVE HIGHLIGHTS	1951*	1950
Total Barrels Sold	829,253	730,145
Gross Sales	$21,839,996	$18,897,870
Excise Taxes	8,216,741	7,090,230
Net Sales	13,623,255	11,807,640
Net Income Before Taxes	1,780,907	2,273,929
Net Income After Taxes	939,452	1,227,284
Working Capital	3,736,376	1,196,438
Net Worth	10,962,168	5,311,839
Earnings Per Common Share	$1.46	$2.05
Dividends Per Common Share	1.45	1.10

*Consolidated figures including two months' results of Atlas Brewing Company and Schoenhofen Edelweiss Company, which were merged into Drewrys Limited U.S.A. Inc. on November 1, 1951.

- *Our 1951 annual report and other data about our operations are available on request to the company or our financial public relations counsel, Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.*

DREWRYS LIMITED U.S.A. INC.
SOUTH BEND 24, INDIANA

Livestock and Meat Supply and the General Demand Outlook for 1952*

GEORGE M. LEWIS

During 1951 total production of goods and services, employment, and incomes were at record high levels. The expansion in defense production was partly offset by decreases in the production and demand for civilian goods, which tended to make for over-all stability during much of the year. However, cross currents were evident, some individual industries experienced recessions, and Government controls and restrictions caused confusion in the business situation.

During 1952 a moderate uptrend is expected, if world conditions continue unsettled. The impact of Government expenditures, further expansion of defense activities, and a probable increase in consumer demand suggest a rising trend in the total economy. If this trend occurs, employment will be high, wages will increase, and incomes and taxes will continue high. However, some observers recently have expressed concern about the possibility of a downturn in business activity, in view of the unbalanced budget prospects, high taxes, increasing costs of doing business, and Government restrictions.

FACTORS TENDING TO STRENGTHEN DEMAND

The Federal budget recently offered by the President, for the fiscal year ending June 30, 1953, is the highest on record from the wartime peak of 1944–1945, and will push the public debt close to $275 billion. The budget calls for expenditures of $85.4 billion, with receipts totaling $71 billion, leaving *a deficit of over* $14 *billion.* About three fourths of the expenditures recommended, or $65.1 billion, are for major national security programs—military, defense production, assisting allies, and so on. The budget for the fiscal year of 1952 was for expenditures of $70.9 billion, receipts of $62.7 billion, indicating a deficit of $8.2 billion. However, indications are that the actual deficit will run about $6 billion. The budget for the fiscal year of 1951 was for expenditures of $44.6 billion, receipts of $48.1 billion, showing a surplus of $3.5 billion.

Defense expenditures have reached an annual rate of around $40 billion, compared to $20 billion during the fiscal year of 1951. There is still $89.3 billion to be spent from authorized funds. Expenditures are expected to increase to about $65 billion by next June and will reach a peak in 1953. About 60% of the funds are authorized for the production of hard goods.

Business expenditures for plants and equipment totaled $23.1 billion in 1951, a 30% gain over 1950. Business outlays for new plants and equipment planned for the first quarter of 1952 will exceed the same period of 1951 by 18% and are expected to exceed any previous first quarter. Further expanse, especially in the durable goods industries, in step with defense orders, is expected.

Civilian employment averaged about 61 million persons in 1951, a gain of 1 million workers over 1950 and 2 million more than 1949. Another 1 to 2 million workers

Table 1. Estimated Total Livestock Slaughter and Meat Production 1952 with Comparisons

	1952 Estimate				
		% Chg from			
Item	Number	1951	1950	1951	1950
Total Slaughter, million heads					
Cattle	18,800	+10	+1	17,150	18,642
Calves	10,200	+15	-2	8,900	10,435
Sheep & lambs	12,500	+ 9	-6	11,500	13,294
Hogs	83,000	- 4	+4	86,100	79,488
Total Meat Production, million lb					
Beef	10,000	+12	+5	8,900	9,543
Veal	1,200	+12	-1	1,075	1,216
Lamb & mutton	600	+14	Small	525	599
Pork (excl. lard)	11,400	- 3	+8	11,700	10,571
Total	23,200	+ 5	+5	22,200	22,109

Source: Based on official reports of the U. S. Department of Agriculture. Figures for 1951 and 1952 are preliminary estimates of the American Meat Institute.

---

*From an address before the Fourth Midwest Forum of the National Federation of Financial Analysts Societies, Chicago, Ill., January 30, 1952. Tables and illustrations are from the department of marketing, American Meat Institute.

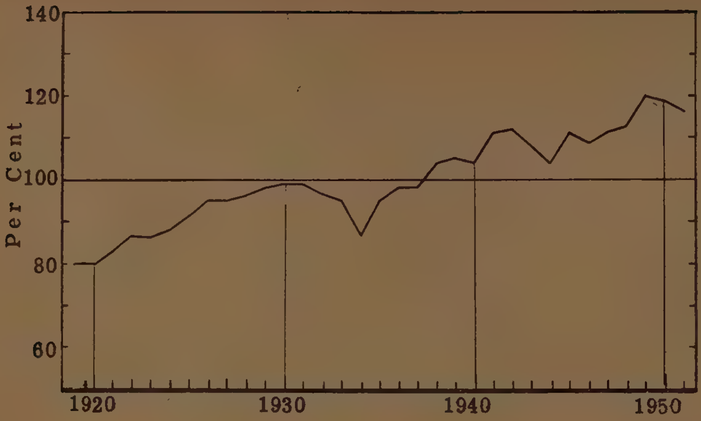


Figure 1. Livestock production per breeding unit shows substantial gain during the past thirty years.

Production per breeding unit (1935–39=100)

will probably be required in 1952, bringing the civilian labor force close to 63 million.

Industrial production increased 10% during 1951 over 1950, and is expected to increase perhaps 5% more in 1952. Defense requirements will tend to increase the output of durable goods, and nondurable goods production is also scheduled to increase somewhat and probably to a record high level. Some industrial leaders believe that the demand for "guns and butter" can be maintained.

Personal income has advanced around $40 billion in 18 months, and amounted to about $251.7 billion in 1951. Average hourly earnings for 1951 will be about $1.595, a 9% gain over 1950. Average hourly earnings are expected to increase about 4% in 1952. Disposable income also showed a gain of 9% during 1951, and has reached an annual rate of $228 billion in the last quarter of 1951. It is expected to increase another 5% in 1952. Anticipated increased employment, higher wages, and improved retail trade should increase personal income 5 to 6% during 1952.

FACTORS TENDING TO WEAKEN DEMAND

Personal consumption expenditures are estimated at $204.4 billion in 1951, about 6% higher than in 1950. Consumers spent only 92% of their disposable income during 1951, compared to 95% in 1950, and 97% in 1949. Personal consumption expenditures are expected to increase about 3% in 1952, while disposable income is expected to increase about 5%. Thus it seems now that the recent trend of consumers spending less of their disposable income will continue during 1952.

Personal savings reached an annual rate of $23 billion during the fourth quarter of 1951, the highest since World War II. This represents 10% of disposable income, compared to the normal 5 to 6%. Personal net savings in 1951 are estimated at about $18.5 billion, a 73% gain over savings in 1950. During the third quarter of 1951, liquid savings amounted to $5.7 billion, or about 25% of total savings. It is difficult to predict what people will save in the future. However, savings probably will continue higher than normal during most of 1951.

Total business inventories have tended to level off during the last few months, but the ratio of inventory to sales is still above average. Retail inventories have been reduced, wholesale inventories have tended to level off, but manufacturers' inventories are still increasing. The trend in 1952 would indicate inventories may be fairly steady after increasing during 1950 and 1951.

Table 2

Item	1951*	1950	1940	1930	1924
Pigs Saved per Litter					
Spring	6.5	6.3	6.0	5.9	5.1
Fall	6.6	6.6	6.4	6.1	5.5
Total	6.5	6.4	6.1	6.0	5.2
Calf Crop per 100 Cows†					
Dairy		85.3	85.4	79.7	76.3
Beef		84.6	80.4	73.6	71.1
Total		85.0	83.9	77.9	74.5
Lamb Crop per 100 Ewes	89.1	89.2	87.0	85.1	87.1
Production per breeding unit - index‡	116%	119%	104%	99%	88%

Source: Various publications of the USDA.
*Preliminary.
†Includes all livestock production and breeding animals except horses.
‡Unofficial calculations of the American Meat Institute.

Table 3. Total U. S. Meat Production and Distribution, 1941-52
Millions of Pounds

		Total Meat Distribution			Population		
Year	Total U.S. Meat Production	Lend-Lease & Export	Armed Forces	Domestic Consumers	Armed Forces	Domestic Consumers*	Per Capita Civilian Consumption
1941	19,569	620	448	18,934	1.7	132.6	143
1942	21,912	1,680	1,962	18,451	3.7	132.3	139
1943	24,482	2,456	3,213	18,921	9.1	129.6	146
1944	25,178	1,593	4,278	19,827	11.5	129.2	153
1945	23,687	1,295	3,569	18,737	12.1	129.8	144
1949	21,710	136	480	21,378	1.4	148.6	144
1950	22,109	136	620	21,710	1.5	151.1	144
1951†	22,200	100	1,250	21,200	3.5	152.0	140
1952†	23,200	100	1,350	22,200	4.0	154.0	144

Source: Based on official reports of the USDA, although figures for 1951 and 1952 are estimates of the American Meat Institute.

*Includes some military personnel eating out of civilian supplies.

†Preliminary.

Consumer credit outstanding has not varied much the last 18 months. Despite relaxation of some credit restrictions in July, only normal seasonal gains have occurred, since that time. Total consumer credit outstanding at the end of 1951 was $20.4 billion, and only represented a gain of about $3 million from December of 1950.

Higher taxes in 1952 will tend to lower income and thus reduce purchasing power. Personal taxes now are taking about $30.6 billion a year from income and are expected to be at a rate of about $33.1 billion in the fourth quarter of 1952. Despite a probable increase of profits before taxes for corporations during 1952, corporate profits after taxes are not expected to be any higher than, if as high as, in 1951.

SUMMARY OF GENERAL OUTLOOK

The business outlook for 1952 is closely tied in with the progress of the defense program and the further amount of deficit financing permitted. The whole economic structure is dependent on defense expenditures and Government fiscal and monetary policy. The consumer goods industries are relatively depressed while activity otherwise is booming. Wide shifts among various types of business are almost certain, with Government controls, restrictions, and shortages of metals and other materials. Moderate increases in business activities are expected with higher income, more employment, and so on. Consumer demand, especially in view of its unpredictable behavior during 1951, is hard to determine, but it is expected to be at least as good as it was during the past year. The inflationary pressure expected in 1952, especially during the later part of the year, will probably be more of a cost nature than from the demand side.

Increased consumer buying power in 1952 should create an increased demand for a slightly larger supply of meat for consumption in 1952, especially during the first half.

LIVESTOCK AND MEAT SUPPLY OUTLOOK

Cattle and Beef. U. S. cattle numbers have increased substantially during the past three years, raising numbers on

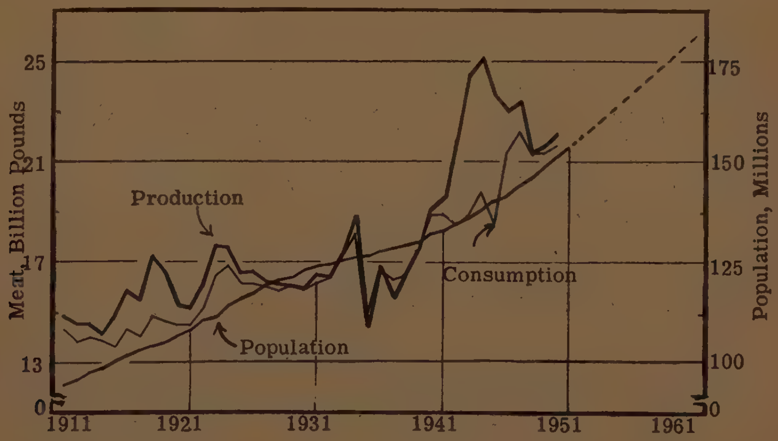


Figure 2. Increased meat production needed to supply our growing population

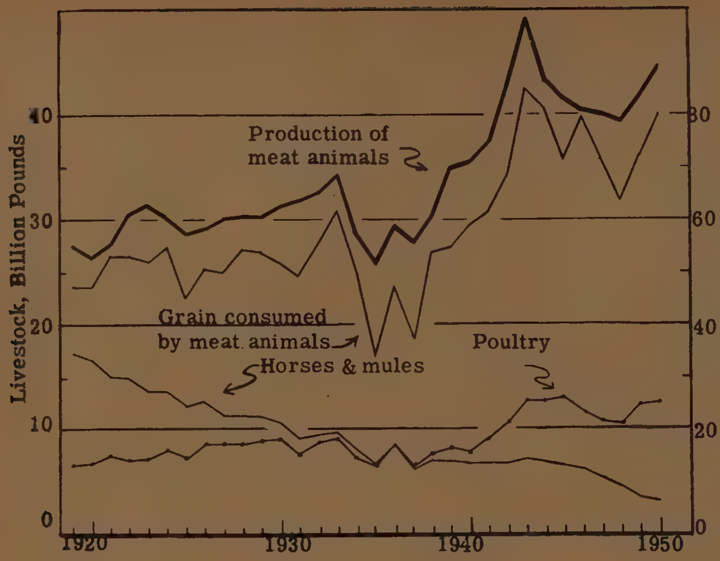


Figure 3. Livestock production depends on feed supplies

farms and ranches at the beginning of 1952 to the highest figure on record.

When the Government report on cattle numbers is released sometime next month, it is expected that the cattle population will be shown at around 88 million head (after allowing for a forthcoming revision in the estimates). The previous record was 85½ million at the beginning of 1945.

The number of cattle marketed and the amount of beef produced for distribution during the past year was reduced considerably, as a result of OPS price controls and threatened price rollbacks by Congress last spring and summer. The uncertainty and confusion, as a result of these threatened price rollbacks, caused cattle feeders to place fewer cattle in feed lots during the spring and summer; hence a substantial reduction in the volume of grain-fed beef was available for consumption during the summer and fall months of 1951.

After the refusal of Congress to provide authority to OPS for further price rollbacks on beef, cattle feeders resumed their feeding operations, and, as a result, the Government recently reported that the number of cattle on feed January 1 this year was 11% larger than a year earlier, and the largest number on record, illustrating again what can easily happen when the specter of unnecessary, unworkable, and arbitrary Government actions is removed from the meat industry.

It is impossible to make a precise estimate of beef production in 1952. However, unless it is further disrupted by OPS price control regulations, producers and feeders are expected to market more cattle than they did in 1951. With a record large cattle population and the increase in cattle feeding operations, it would seem reasonable to expect marketings to be at least as large as and possibly larger than they were in 1950 (before the advent of price con-

Table 4

Item	1961	1951*	1950	1940	1910
Total population, July 1, millions	180.0*	154.4	151.7	132.0	92.4
Meat Production, billion lb					
Beef		8.9	9.5	7.2	6.6
Veal		1.0	1.2	1.0	0.7
Lamb		0.5	0.6	0.9	0.6
Pork		11.7	10.8	10.0	6.1
Total		22.1	22.1	19.1	14.0
Meat Consumption					
Total, billion lb		21.1	21.7	18.8	15.5
Per capita, lb		139	144	142	145

Source: Published reports of the USDA and the Department of Commerce.

*Preliminary estimates of the American Meat Institute.

Table 5

Item	1951*	1950*	1940	1930	1920
Production of Meat					
Animals, billion lb†		42.9	34.7	31.4	26.8
Grain Consumption by Livestock, million tons					
Corn‡	77.9	83.1	62.8	64.8	68.1
Other grains	30.5	28.5	25.3	26.1	21.5
Total	108.4	111.6	88.1	90.9	89.6
Cattle		80.1	22.2	18.1	17.5
Sheep & lambs			1.2	1.2	0.9
Hogs			35.9	32.5	29.1
Poultry		25.0	15.8	18.1	13.1
Horses & mules		6.5	13.1	21.0	33.0

Source: Published reports of the USDA.
*Preliminary estimates.
†Live weight of cattle, calves, sheep, lambs, and hogs.
‡Year beginning previous October' includes corn in silage.

trols). This would mean a total beef output of about 10 billion pounds—12% greater than in 1951 (Table 1).

Hogs and Pork. Hog production expanded steadily during the past five years. Last year's big crop of 102 million head was 23% larger than that of 1946 and the largest peacetime crop on record. However, with price controls coming into the picture, farmers began curtailing their hog production plans last summer. The last half of the 1951 fall crop was cut 3% (the first half was up 10%), and a 9% reduction in the 1952 spring pig crop is indicated.

Slaughter supplies of hogs and pork production will continue to show a small increase over a year earlier during the early months of 1952. But, by late spring, the cutback in hog production will begin to show up. Hog marketings in the last half of the year will be smaller than those in the corresponding months in 1951, as will the total for the year.

Sheep and Lambs. Sheep and lamb numbers have shown a slight increase during the past year or so, following a nine-year decline. However, present numbers still are considerably smaller than the peak number reached in 1942. A further slight increase is anticipated in 1952, unless the serious drought conditions in Texas—a principal sheep area—are not alleviated soon.

Livestock producers are doing a much better job of raising hogs, cattle, and lambs than they did thirty years ago. In addition to saving a larger number of young stock per breeding animal, rates of gain and efficiency in feed utilization also have increased materially (Figure 1 and Table 2).

Meat Supply. Substantial increases in the market supply of beef, veal, and lamb are considered likely for 1952. These increases will offset a slight decrease expected in the pork supply. Therefore, total meat production in 1952 tentatively is estimated at 23.2 billion pounds, or 4½% larger than in 1951 (Tables 1 and 3). This anticipated increase, however, can be altered considerably if Government price controls are continued, just as they were a factor in reducing the market supply of meat, especially beef, in 1951.

This prospective meat supply indicates a per capita con-

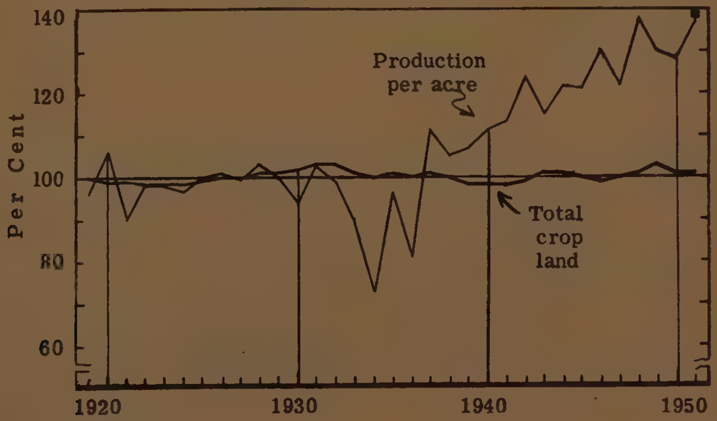


Figure 4. Crop yields show sharp upward trend since 1930; acreage remains relatively steady

Index: 1935–39=100

Table 6

Item	1951*	1950	1940	1930	1920
Total crop land, million acres†	407	407	395	411	399
Yield per Acre, bushels					
Corn	36.2	37.4	28.4	20.5	30.3
Oats	36.1	34.6	35.2	32.0	33.8
Barley	27.1	27.2	23.0	23.9	23.0
Fertilizer used, million tons		18.3	8.2	8.2	7.2
Hybrid seed, corn, % of total acres	81	77	30	...	...
Machinery on Farms, thousands					
Tractors	4,100	3,825	1,545	920	246
Combines	800	650	190	61	4
Corn pickers	500	410	110	50	10

Source: Various publications of the USDA and National Fertilizer Association.

*Preliminary.

† Acres harvested, plus acreage of crop failure and summer fallow; acreage figures shown in the table have been derived by the American Meat Institute.

sumption in 1952 of 144 pounds, compared with 140 pounds in 1951, and 144 pounds per capita in 1949, and 140 pounds ten years ago.

Feed. An increased and adequate supply of meat, dairy, and poultry products—the principal and popular protein foods—cannot be produced without an increased supply of feeds. There has been a substantial increase in feed production in recent years, even though the harvested acreage has not changed much. This has happened because of increased productivity, due to such developments as hybrid corn, improved varieties of other grains, also other farming, grazing, and management practices. Nevertheless, more feeds should be produced in order to meet the increasing needs of foods for our fast-growing population.

The country's population is growing at a rate of about 2½ million persons per year. If meat consumption is to be maintained at a level of about 140 pounds per person, production will have to expand to about 25 billion pounds by 1961. To reach the consumption goal of 175 pounds per person, production in 1961 would have to equal nearly 32 billion pounds (Figure 2 and Table 4).

Livestock production is dependent, of course, on feed supplies. The downward trend in horses and mules during the last thirty years has released approximately 27 million tons of feed for other livestock production. Roughly half of this volume has been taken up by increased poultry production. To meet the country's expanding needs for meat, at present levels of consumption, feed production will have to be increased by around 15% during the next ten years (Figure 3 and Table 5).

Although the total area of crop land has remained about steady during the past thirty years, crop yields have been stepped up considerably since the late '30's. Adoption of higher-yielding varieties of seed, greater use of commercial fertilizers, and an increased mechanization of farming practices have been largely responsible for these gains (Figure 4 and Table 6).

Therefore, it would seem more sensible and logical and productive if the Government and everybody else urged an increased production of feed grains, along with an increased production of meat, dairy animals, and poultry flocks, as a positive and needed program during this period of emergency. An increased production of foods and feeds is just as important, certainly in the long run, as an expanding defense mobilization program. Moreover, it is believed that this sort of an increased production of feeds and foods is achievable. If the emphasis was placed on this sort of a program, instead of on a program of unworkable price controls, and eventually a rationing program, which tends to discourage production, one of the bulwarks against runaway inflation would be established.

* * *

1853—April 20 . . . "The clipper ship *Flying Cloud* arrived at San Francisco from New York, having accomplished the voyage in eighty-nine days, eight hours."

PURE NEWS NOTES

Items of general interest
from The Pure Oil Company

Significant...

We have noticed that many Investment Trusts have added Pure Oil to their portfolios during the past year...that many others have added to their holdings of Pure Oil...that Pure Oil is now appearing on an increasing number of the "growth stock" and "recommended" lists published by responsible financial services.

It seems that our four famous words

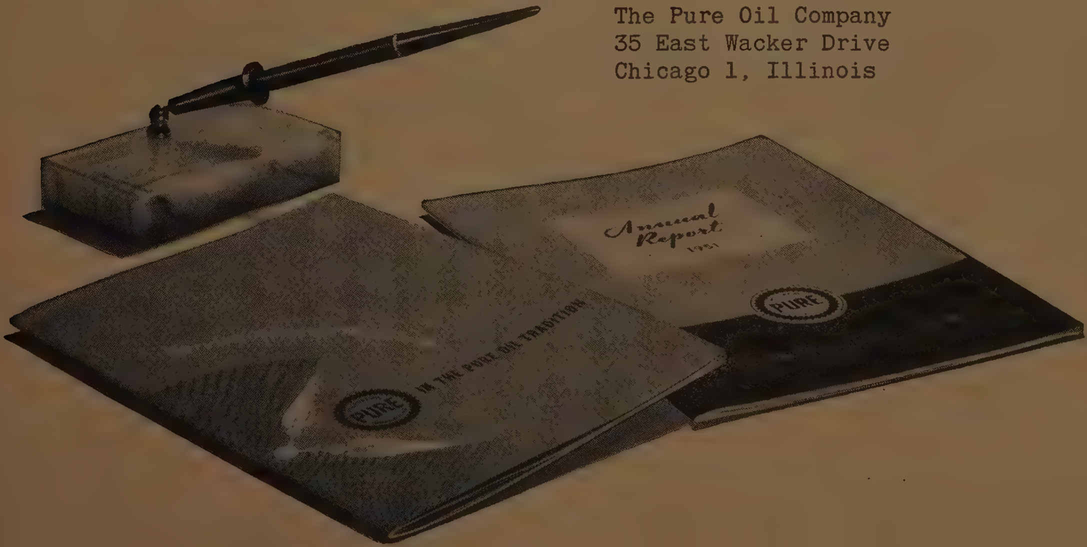
Be sure with Pure

are assuming significance beyond their original intent...an assurance of top-quality products.

Some of the reasons appear in our Annual Report for 1951 and its companion booklet "Service Around the Clock."

If you have not as yet examined these two informative documents, or if you would like additional copies, you are invited to write the Treasurer:

The Pure Oil Company
35 East Wacker Drive
Chicago 1, Illinois



Highlights of 56th Annual Report

SOUTHERN CALIFORNIA EDISON COMPANY — 1951

REVENUE AND EXPENSE

Gross revenue was $119,374,626, an increase of $13,050,797 or 12% over 1950. Net income was $19,124,649 and earnings for common were $12,839,787, equivalent to $2.81 per share of common stock after all charges, including preferred and preference dividends, compared with $2.97 in 1950.

FINANCING

$35,000,000 of 2⅞% and $30,000,000 of 3⅛% First and Refunding Mortgage Bonds, Due 1976, were sold for $65,690,970. Additional new capital of approximately $52,000,000 will be required in 1952.

PLANT INVESTMENT EXPANSION

Investment in plant increased $49,833,744 during the year to a total of $644,698,839 at the year end. The new Big Creek No. 4 hydroelectric plant with a capacity of 91,000 kw was placed in operation in July.

PLANT BUDGET FOR 1952

Totals $80,112,740 . . . the largest in the Company's history, and includes a substantial amount for completion of the Etiwanda 250,000 kw steam electric generating station.

GENERATION

Total output was 9 billion kilowatt-hours, 12% above 1950 and more than double the output of ten years ago. Steam generation accounted for 50.4% of the total output.

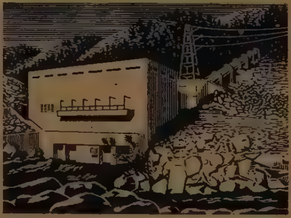
GROWTH

Electric meters increased 69,608, raising the total installed to 1,055,717, more than double the number fifteen years ago.

THE PRESIDENT'S LETTER . . . "For reasons which we have tried to make clear in many previous reports to you, the Management of your Company is convinced that the present is a period of dangerously false and unsound 'prosperity'. We are continually aware of the fact that this, the most prolonged boom in American history, has been financed by public and private debt of inconceivable proportions, incurred, for the most part, as a result of nonproductive expenditures, such as war or gifts to foreign countries. We know that the present American standard of living has an abnormally high luxury-content, and has been financed by an explosive expansion of private debt . . . I do not wish to give you the impression that we believe any substantial percentage of the expansion in our territory will prove to be unsound—at least in the long run . . . While we have some war industries as customers, for the most part, the business, industrial, and agricultural expansion in this latest boom has

W C Mullendore
President

On April 12, 1951, the Company installed its millionth meter.



On July 2, 1951, Big Creek No. 4 hydroelectric plant was the sixth plant to be completed in the Big Creek development.

On April 25, 1951, the Company started construction on its $38,000,000 Etiwanda steam station, scheduled to be completed in 1953.

CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1951

Assets		Liabilities	
Electric Plant	$644,698,839	Stated Capital and Surplus	$278,053,149
Investments and Other Assets	9,688,620	Bonded Indebtedness	268,000,000
Current Assets	58,728,014	Current Liabilities	44,637,058
Deferred Charges	3,835,536	Depreciation Reserve	119,144,202
Capital Stock Expense	2,747,696	Other Reserves and Liabilities	9,864,296
TOTAL ASSETS	$719,698,705	TOTAL LIABILITIES	$719,698,705

"Capacity or Capability"

A Problem of Public Utility Semantics

HENDRIK A. DIAMANT

WHAT HAD BEEN PLANNED as a highly pleasurable vacation trip by George Tiplor, a retired public service commissioner, and his newly graduated son Ted, began, once they were on the road, to disintegrate rapidly. The sad aspect of it was that the eruption arose out of a mere trifle, but, since Junior had inherited the quick temper and stubbornness of the old man, the least little friction between the two quickly developed into a veritable *casus belli.*

The battlefield had as its background the world-famous Bald Mountain, which came into view as the two men were speeding along on the first day of their trip through the country. "Pretty big baby," volunteered Dad, looking into the distance. "She even looks higher than her 20,000 feet *altitude.*" Conscious and proud of his shiny new bachelor's degree in the commercial sciences, Ted patronizingly replied, "You are talking about the peak's *height.* Its *altitude* is only 19,260 feet!" Not grasping the argument and taken aback, the elder Tiplor seemed willing to end the matter. "All right," he yielded, knocking the ashes from his seasoned briar on the polished outside of the convertible's door, a gesture of unconscious impatience, "if it pleases your omniscient omniscience, I'll say that this doggone's *height* is 19,260 feet. Does that satisfy you?"

"For the love of Mike, Old Man," the irritable lad resumed, "you've still got it wrong. The 19,260 feet is the Bald B ....'s *altitude;* the 20,000 feet is only its reputed *height.*"

"Never heard such piffle!" growled Tiplor Senior, who up to now had been conciliation itself. He looked at Ted as though he was ready to devour his contradicting brood.

First of all, he saw no real difference between *height* and *altitude* as words. Second, his 20,000 feet had been meant as a round figure, universally agreed to. If the boy was so positive of a 19,260-foot altitude, how did the additional 740 feet transform the altitude into height? "Oh, well," he mused, "probably some academic notion he has. Besides, this is a vacation, and I'm taking it with a man whom I had always thought of as a boy. Go easy, George, and don't let the gulf between generations grow."

So they exchanged very few words, enjoying the scenery instead. Their lunch was subdued, but once back in the car they felt a little more expansive, and they were talkative again as they caught sight of the spectacular mansion and estate of the well-known industrialist, Dale Dollarfield. "Immense wealth that guy owns," volunteered Ted. "In the latest alimony suit against him they proved that his net worth was $325 million!" To this, the old Tiplor had the misfortune to reply: "That is considerably more than his generally reputed *wealth,* which gives him only $100 million." "Don't you know any English at all, dad?" Ted burst out. "You are talking about the guy's *riches.* His *wealth* is his actual worth. If you only were in the habit of reading something better than your usual fare, you would save yourself this unnecessary embarrassment. Are you unaware of the perfectly elementary rule that for the reputed or *estimated* quantity of a given type of units a different noun must be used than for the *actual* quantity?"

George pondered the statement. It was too much. He now thundered back: "The trouble with you, insufferable brat, is that your knowledge is on a par with your modesty. You haven't a nickel's worth of either. If anyone challenged you to prove this fantastic nonsense, you would look sillier than a sold-out bear in a bull market."

Ted at once took up the challenge. "At the next large town, I'll take you to the library, old sulky, and if I don't prove my point from the books, I swear to you that I'll eat my socks" (being fresh from college, Ted still went hatless). "I'll hold you to that, to be sure," snorted George, "even if I have to ram them down your unholy throat!"

So, the two pleasure seekers soon entered the big library, each full of confidence in his own anticipated victory. While Dad, having seated himself in the reading room, awaited the unfolding of the drama, Ted assembled certain documents at the lending desk. After some fifteen minutes, the old Tiplor saw his son approach with a respectable pile of papers and booklets under his arm. One by one Ted opened the documents, all of them either public utility offering prospectuses or annual reports. "Look here, doubting Thomas, and see for yourself how these companies, all highly respected members of the expertly managed electric power industry, describe their generating properties. They show in kilowatts in one column the rated or name plate maxima, and in the column next to it the actual, observed maxima. Now, I want you to verify that they call the rated maxima 'rated *capacity*' and the actual maxima 'effective *capability.*' The texts of these documents have been thoroughly gone over by recognized experts in the engineering, legal, and financial fields. Have you any reason to believe that these men do not know how to express themselves properly? What have you to say now?"

Dumbfounded, the essentially fair-minded old Tiplor—as all Tiplors were—surrendered with a hushed, "Amazing!"

To be sure, young Ted did not have to eat his socks, but the question arises: How had George never noticed what was now so obvious to him? How did the power industry come to adopt this puzzling terminology? Perhaps his son's education was finished, but his own, notwithstanding that this was a vacation trip, was not. The boy had obviously been taught it at college and had proved it by reference to documents which must have been called to his attention, but this did not necessarily make the matter correct. George was determined to find out for himself. He was going to do some research. But the boy—could he spoil his fun? Could he let him wander aimlessly while he sat in the library working?

He called Ted over. "Son, when I was graduated from college, Sinclair Lewis had just published *Main Street*. His heroine, Carol Milford, had also just been graduated, and she went to work in a library where she could find a nice boy for herself. Do you see that librarian there — he pointed to the youngest one, with a cute face and a trim figure — she reminds me of Carol Milford. You see if you can date her for when she goes off duty and for dinner tonight. I've some tall studying to do with these papers."

And so, satisfying himself that he had done very well indeed for his son, George Tiplor went back to the papers spread before him and did research. This is what he discovered for himself.

The adoption of the additional term "capability" as a technical distinction from "capacity" was not a sudden and wholly erratic one. On the contrary, it had an interesting background of circumstances which, among utility men, had been fostering an atmosphere of thinking favorable to an entirely new term to fit a new aspect of the industry.

For many years, when the power industry still was in its period of infant growth, electrical engineers referred to the kilowatt-generating ability of their equipment with no other term than *capacity*. Compared with the industry's present huge and complicated structure, everything then was rather simple. The generators were not large and powerful, if we think of them according to present-day standards. A 10-000-kw or 20,000-kw unit, in those days, was considered impressive. Metals used in the construction of these units would rate as primitive today, and their heat-resisting and tensile qualities were comparatively low. The capacity at which the units were rated by the manufacturer of the equipment corresponded closely with the actual power that the equipment could develop. Moreover, in the early period of the industry, its necessary expansion was not the serious problem it is today, and "reserve" capacities were kept ample, even as high as 50% over immediate needs. Consequently, in the generally simple and brief reports giving generating data, the utilities gave few figures, and a mere reference to the "rated" or "name plate" capacity was considered adequate.

In later years, and particularly during World War II, things changed considerably. In order to keep up with the phenomenal industrial expansion required to meet our war effort, the utility industry, overnight, had to face the tremendous task of enlarging and expanding its facilities at an incredibly rapid pace. The building of additional power stations and the construction and installation of new generating and other facilities, however, not only demanded huge investments but also required considerable time, running into as long as two or three years. As a result of this time lag and the spectacularly increasing demand for electric power to satisfy war and civilian needs, the formerly large "capacity reserve" often dwindled to embarrassingly small percentages, even as low as 6 or 7%. Very old and inefficient generating equipment, which had been maintained only for emergency stand-by purposes, had again to be put to work. Badly worn by long-time use, such equipment, in many instances, was unable to come up to its name plate capacity. A 10,000-kw unit, for example, would perhaps not produce more than 8,000 kw.

Necessity, traditionally, is inventive, and war emergencies always have led to high levels of mechanical and technological improvement. Aided by the amazing progress which science and technology already had registered in the '30's, the electric equipment industry developed generating units of a size and perfection unknown in earlier years. Units of up to 100,000 kw and more became common objects of manufacture, and, in addition, new metals and alloys and other technological inventions increased the efficiency by astounding degrees. Gradually new units, when tested in actual operation, would develop considerably higher kilowatt maxima than their "name plate" ratings indicated. A 100,000-kw generator would perhaps develop 110,000 or 115,000 kw or more.

If we keep in mind the drastic changes brought about by these modern developments, we can more easily understand why and how utility engineers began to look at generating maxima in an entirely new and different light from what had heretofore been traditional. It also will make us understand and appreciate why they were tempted to introduce, as a distinction from "capacity," the second term "capability" which now puzzled old George Tiplor so much.

The increased discrepancies between "name plate" and actual generating maxima had tended to make a mere reference to the name plate maximum unrealistic. Engineers felt the need of speaking, additionally, of the actual observed maximum, often called "effective" capacity. For a proper understanding and calculation of an electric system's total generating ability it was now essential to show both maxima, because, as we have seen, the older units would perhaps produce less than their ratings, whereas the newer units would produce substantially more.

Since, in addition, capacity reserves had largely melted away under the impact of our World War II production effort, power engineers became more and more impatient with the old-time name plate ratings which they considered of little practical value, and began to think of the observed maxima as the only real standard to be used.

It was in these circumstances that, early in World War II, by Presidential order a survey was made of the electric power that the country could marshal to meet the dire exigencies of the defense of our, and the other free world's, liberties. A broad and highly representative industry committee was organized to make this survey. In tabulating the available power facilities, this committee naturally was exceedingly anxious to show actual generating abilities of the available equipment rather than the misleading, generally understated, name plate ratings.

In contrast with the term "capacity" for the name plate kilowatts, the experts now adopted for the actual or "effective" kilowatts the term "capability," a term that had not been wholly unknown before but thus far had enjoyed only sporadic application. The Federal Power Commission followed suit, and, for the first time, carried in its "Power System Statement" (a form filled out by electric power companies) for the calendar year 1940, a column headed "Net Plant *Capability*." Gradually, this term was taken over by more and more companies in their annual reports, offering prospectuses, and other documents. Today, it is usual for the average utility to employ the two words—"capacity" and "capability"—as contrasting terms. There is, however, considerable lack of uniformity, with parallel confusion in the detailed nomenclature, a muddle not helped by the number of companies still clinging to the exclusive use of "capacity."

The adoption of the two-term usage for purposes of distinction between different maxima of one and the same generating equipment must be considered unfortunate and unnecessary. Apparently, under the pressure of circumstances, the companies that introduced the second term—"capability"—failed to realize that they forced the technical terminology in question beyond the limits of clarity and logic. What they did, to the satisfaction of unsuspecting readers like young Ted Tiplor, was use separate nouns for estimated quantity and related proved or actual quantity.

In many respects the industry has become so accustomed to "capability" as a distinction that few utility men seem to realize the essential incorrectness of it. Yet, when one applies the same method in other fields, the error of such wording at once becomes apparent. It is like calling the rated speed—let us say, 17 knots—of a ship "speed" but calling its proved (trial run) speed—let us say, 20 knots—"celerity." Nothing is gained by making such a distinction. In fact, it serves only to cause confusion and misunderstanding, particularly when, as in the utility industry, uniformity of expression concerning generating maxima is lacking.

RETURN TO USE OF ONE TERM

The remedy in this particular instance obviously is a return to the exclusive use of one term (noun) to express generating maxima, whatever these maxima are, rated or actual. In other words, either the industry should return to the original usage of "capacity" only, or it should adopt "capability" as the exclusive term. Since, however, "capability" by now has been adopted by a preponderant percentage of the power companies for expression of *actual* maxima, this term "capability" deserves recommendation for exclusive usage. Such a conclusion is more attractive because, despite overlapping meanings of the two words, "capability" appears the better word to express ability to *make* or to *produce* whereas "capacity" is more suited to express ability to *hold*. Saying it another way, "capacity" is more "passive and is best fitted to express what certain equipment can absorb or carry (such as a bus, a water reservoir or lake, a bridge), and "capability" is more "active" and is the preferable word to express what certain equipment, when put into action, can generate or produce (such as our electric generator). Significantly, by its own preference for "capability" for what a generator *actually* can do, the industry has tacitly admitted the choice position of "capability" to express electric generating ability.

George, therefore, determined—a conclusion with which the writer of this article is in full accord—that the sensible action for the industry to take would be to do away with the prevailing confusion resulting from the two-term usage, and establish as the only term for the expression of generating ability the word "capability." The term "capacity" should be retained, however, exclusively for the expression of cubic content or for the passive ability to carry a certain weight.

Items encompassed within the notion of *capability:*

Electric generating capability (the general term).
Name plate or rated capability.
Effective capability.
Net effective capability.
Dependable capability.
Net dependable capability.
Overload capability, and so on.

Items encompassed within the notion of *capacity:*

Hydroreservoir capacity.
Oil tank capacity.
Coal storage yard capacity.
(Carrying) Capacity of a bridge or foundation.

Adoption of the suggested terminology by the power industry would at once establish uniform nomenclature. It would also save many writers of utility papers the hesitations and embarrassment which now plague them. It is not exceptional to find a writer of a utility document who appears to accept "capacity" and "capability" as definite distinctions between different generating maxima give a definition of the indicated amount of "capability" by stating that this "*capability* is the *capacity* to . . . " or that this "*capability* includes a given amount of *capacity*." Such wholly illogical and strange definitions should be shunned in official documents by an industry proud of its record of operating and technical efficiency and attainment.

Abandonment of the false distinctions between "capacity" and "capability" would also do away with bizarre tabulations of electric generating maxima such as

Electric Generating Capacity

Capability	*Kw*
Rated *capacity*—name plate	1,000,000
Capability in excess of rated *capacity*	100,000
Total *capability*	1,100,000

This is like adding apples and pears to arrive at a total of pears! A correctly worded statement would read:

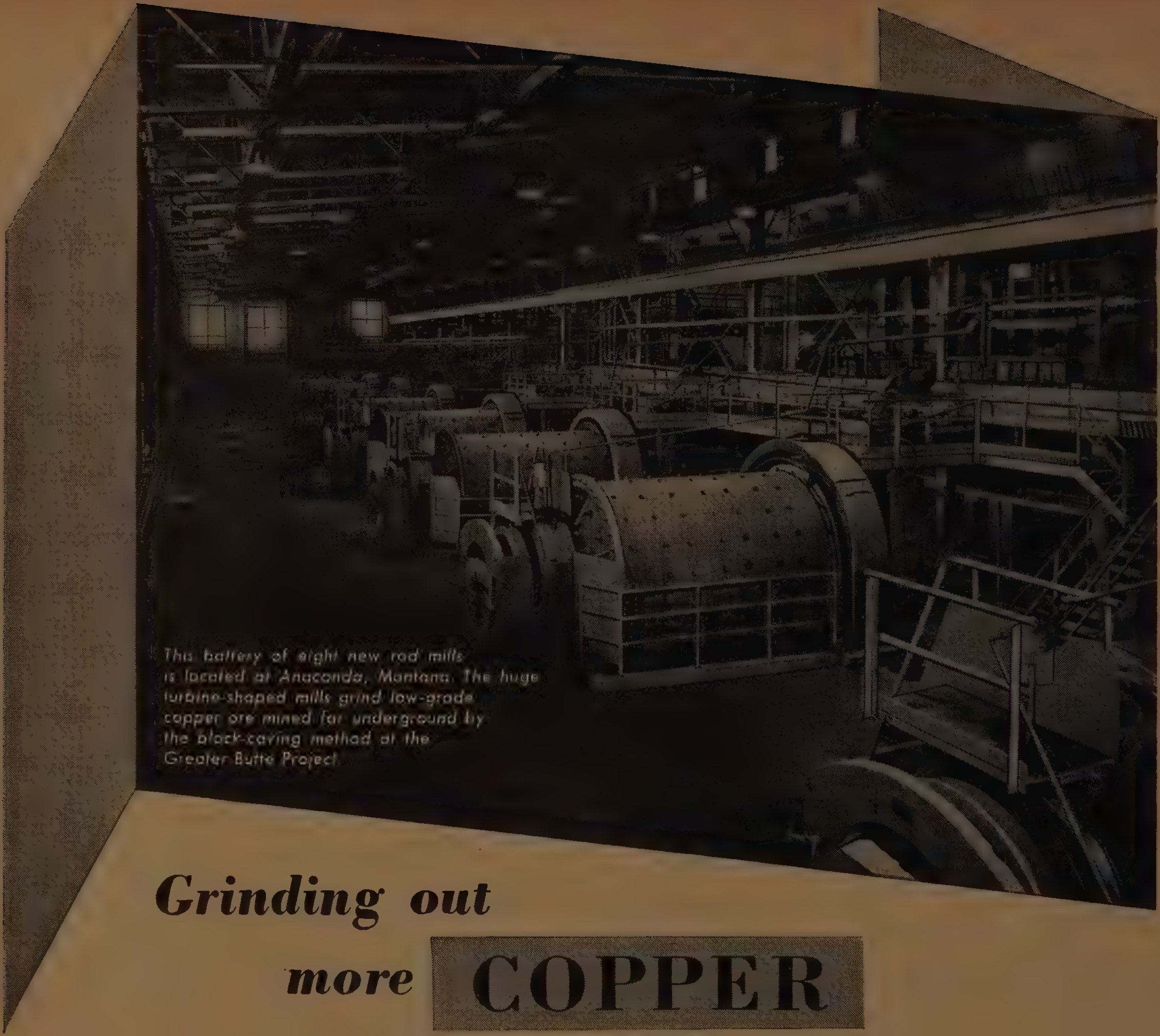
Electric Generating Capability

	Kw
Rated *capability*—name plate	1,000,000
Excess of effective *capability* over rated *capability*	100,000
Effective *capability*	1,100,000

At this point, old George, now deeply involved in his documents, felt that his researches must end, for he thought that further consideration of the problem would be to enter the realm of abstraction, and this he was unwilling to do. He had learned from his son the existence of a weak point in the nomenclature of an industry of which he was proud to have been a part and felt equally proud that he had been able through study to prove the existence of the weakness in spite of its sanction both academically and practically. The rest, he said, was up to the industry. He was much at peace with the world, hoping that Ted, at least for dinner, would allow him to share the company of the librarian, for which he would gladly foot the bill.*

---

*For a detailed study of the documents with which George busied himself see the writer's article, "Rated versus Actual Capacity for Power Production," *Public Utilities Fortnightly*, January 17, 1952. The writer also wishes to thank Professor Irving Linn for making suggestions concerning this paper.



This battery of eight new rod mills is located at Anaconda, Montana. The huge turbine-shaped mills grind low-grade copper ore mined far underground by the block-caving method at the Greater Butte Project.

Grinding out more COPPER to Fortify the Nation

In the near future Anaconda will be mining about 6,000 tons of low-grade copper ore every day at its Greater Butte Project. The grinding mills pictured above are designed to handle an eventual output of 15,000 tons a day.

The Greater Butte Project was undertaken in 1948 to supplement Anaconda's regular output from high-grade ore. When in full production, this $27 million project will add 90,000,000 pounds a year to America's copper supply. This wealth of copper is all *in addition* to Anaconda's present output!

America needs more and more of man's most versatile metal. Industry's demand for copper continues as the mobilization program speeds up. Because copper—and *only* copper—does so many defense jobs so well, increased output is essential to preparedness.

The Greater Butte Project is just one phase of Anaconda's vast expansion, improvement, and modernization program. All phases share the same goal: more metals. The achievement of this goal serves the country's military needs today . . . its peace, progress and prosperity in the future.

ANACONDA
COPPER MINING COMPANY

Anaconda Sales Company
The American Brass Company
Anaconda Wire & Cable Company
International Smelting and Refining Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company

52319A
(Rev.)

Money, Investment and Business Expectations

ALBERT I. A. BOOKBINDER

TRADITIONAL MONETARY THEORY has been supported by some statistical evidence in emphasizing the effects of money on business fluctuations.* This theory and statistical data, however, are challenged by prevalent investment theory.†

These theories, nevertheless, are hardly mutually exclusive. Facts support both the monetary and the investment theories. The combination of both money and investment expenditure may be more effective in logically explaining the business cycle. Statistical data, moreover, are available in this article to help prove the validity of this combination.

Furthermore, as a practical result, it is possible to forecast general business activity in the United States from six to twelve months in advance.

This article describes factual data since 1919 in the development of this new and successful combination of available statistics in support of this position, following an examination of the money and investment theories.

According to the monetary theory of business cycles, an inadequate money and credit supply leads to declining prices and profits and subsequently to the expectation of losses. The expectation of reduced profits results in curtailing production, and hence the downturn in the business cycle. Likewise, an upturn in business activity follows an increase in money and credit.

According to the investment theory, a shortage of investment opportunities with the expectation of smaller profits leads to decreased investment expenditures. The result is declining employment and curtailed production. Likewise, the upturn in general business activity follows improved opportunities for investment expenditures.

The facts may be viewed as consistent with both monetary and the investment theories. Not only can new investment result in the expansion of money and credit, but also an increased money supply may stimulate investment expenditures. Likewise, declining investment opportunities reduce the demand for additional money and a reduced money supply discourages investment. There is also the possibility of the money and the investment factors operating for a time in opposite directions, until one factor outweighs the other.

STATISTICAL DATA

Before 1919 the necessary figures were obtainable only in part, and the desired statistics that could possibly be constructed from available information would be less reliable. The time from the beginning of 1919 to the present was selected as the period for statistical study because of the availability of the necessary data.

Annual or semiannual statistics are not very sensitive to cyclical fluctuations, whereas monthly figures are more subject to erratic variations. Hence as a workable compromise, quarterly data (three-month averages) are used in this study. Subsequently, this same approach can be applied to monthly statistics, of course.

The business cycle peaks and troughs, known as reference dates, chosen as the standards for comparison were the turning points as determined for this period in the study by Professors A. F. Burns and W. C. Mitchell.‡ The last of these published reference dates was 1938.

BANK RESERVES

The Federal Reserve System may affect the money supply by changing member bank reserve requirements or by changing available reserves through rediscounting and open-market operations. The quantity of bank deposits,

Table 1. Adjusted Bank Reserve Turning Points and Business Cycle Reference Dates Quarterly, 1919-1938

Turning Point	Adjusted Bank Reserves*		Business Cycle Reference Dates†	
Peak	1st	1920	1st	1932
Trough	3d	1921	3d	1921
Peak	1st	1923	2d	1923
Trough	3d	1923	3d	1924
Peak	1st	1928	3d	1926
Trough	3d	1928	4th	1927
Peak	4th	1929	2d	1929
Trough	1st	1932	Summer	1932
Peak	4th	1932	End of	1932
Trough	2d	1933	1st	1933
Peak	1st	1936	2d	1937
Trough	3d	1937	2d	1938

*Includes all peaks preceded by upswings and all troughs by downswings of at least two quarters' duration in average member bank reserves, adjusted for changes in percentage reserve requirements, since 1919.

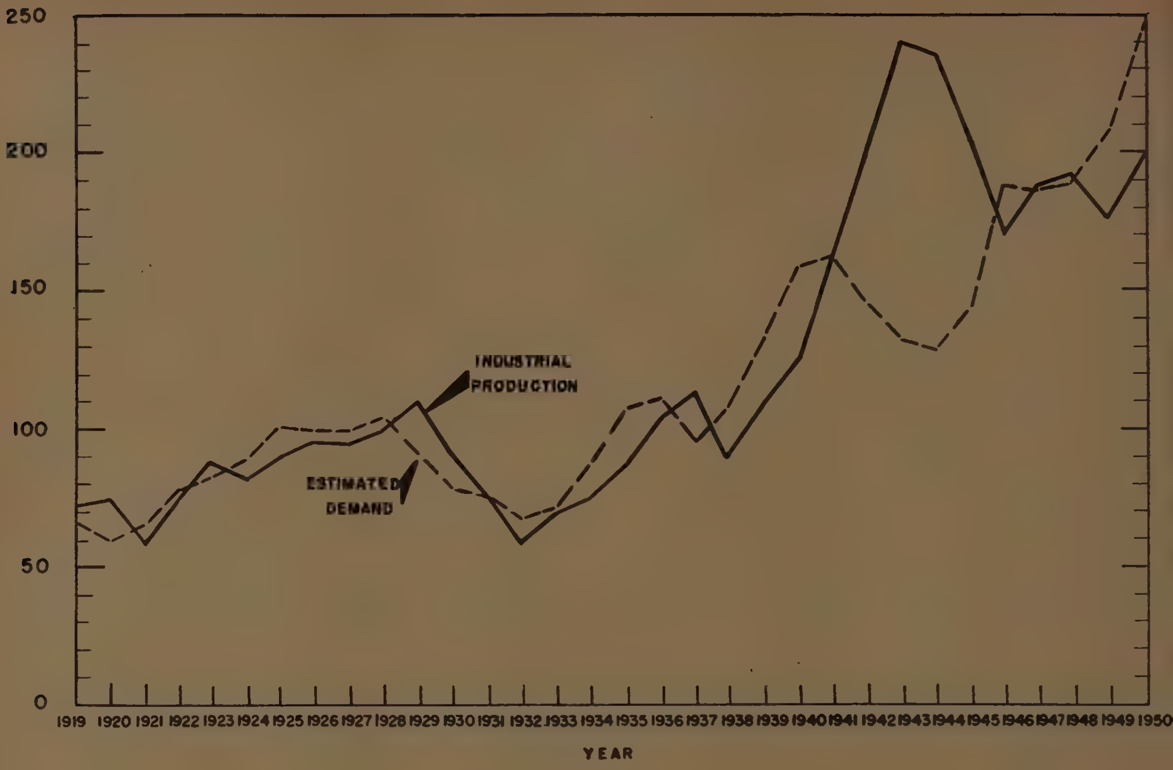
†Comprises all sets of peaks and troughs since 1919 as determined by Arthur F. Burns and Wesley C. Mitchell, Measuring Business Cycles, pages 78 and 82, and also 1932 dates treated by them as mere evidence of a possible "double bottom" with 1933, but without their assignment of any specific business cycle reference dates in 1933. 1938 was the last business cycle reference date available for comparison.

---

*Clark Warburton, Bank Reserves and Business Fluctuations, *Journal of the American Statistical Association*, December 1948, pages 547–558.

†Rendigs Fels, Warburton vs. Hansen and Keynes, *American Economic Review*, September 1949, pages 923–929.

‡Arthur F. Burns and Wesley C. Mitchell, *Measuring Business Cycles*, 1946, pages 78, 82.



Estimated Demand and Industrial Production
Annually 1919–1950
Index: 135–39 equals 100
Sources: Federal Reserve Board for industrial production index and THE ANALYSTS JOURNAL, 1951, for estimated demand.

the bulk of the total money supply, is limited by the quantity of bank reserves and the ratios of deposits required as reserves. The result is that the money supply is a multiple of bank reserves.

Banks tend to create additional deposits by lending and investing as much as practical within the limits of their reserves. For this reason total reserves are an indicator of the anticipated money supply.

CHANGES IN REQUIREMENT PERCENTAGES

An adjustment necessary in analyzing reserves is changes in bank reserve requirement percentages. For example, if the percentages of reserve requirements against deposits are doubled, the bank reserves tend to be half as effective. When bank reserve requirements are reduced, potential bank deposits increase.

The necessary basic statistics on total bank reserves are currently compiled by the Board of Governors of the Federal Reserve System. As explained earlier in this article, all the basic figures were first averaged quarterly. Then the results were adjusted by the percentage changes in bank reserve requirements.

The comparison of the adjusted bank reserve turning points with the business cycle reference dates listed in Table 1 shows that the majority of the business cycle referenc dates were not preceded by the turning points in adjuste bank reserves. Of the twelve peaks and troughs in adjusted member bank reserves, five preceded their busines cycle reference dates, three were concurrent with them, an four lagged behind their comparable business cycle turnin points.

The results thus do not warrant any conclusion on th question of whether the anticipated supply of money is significant factor in the business cycle, or whether or no it is more important than the velocity of money circulatio in the course of the business cycle. At times the effects o the money supply of the business cycle may be nullified o outweighed by the use or disuse of the money supply.

An increase in the supply of money tends to reduce th interest rate and thus increase the capitalization of profits However, the expectation of decreasing profits for increasing uncertainties increases the demand for liquidity as precaution.[§] Hence reduced investment expenditures resulting from profit uncertainties may nullify the normal effects of an increasing money supply.

The income generated from the employment of resource in the production of capital goods increases purchasin power, without increasing the immediate supply of consumer goods.[″] This is an inflationary condition until consumer goods capacity and supply are augmented. Even

---

[§] Albert G. Hart, *Anticipations, Uncertainty, and Dynami Planning*, 1946.

[″] Elmer C. Bratt, *Business Cycles and Forecasting* 3d edition 1948, pages 112–113.

Table 2. Residential Construction Contract Turning Points and Business Cycle Reference Dates
Quarterly, 1919-1938

Turning Point	Residential Construction Contracts*	Business Cycle Reference Dates†
Peak	3d 1919	1st 1920
Trough	4th 1920	3d 1921
Peak	1st 1924	2d 1923
Trough	3d 1924	3d 1924
Peak	3d 1925	3d 1926
Trough	3d 1927	4th 1927
Peak	1st 1928	2d 1929
Trough	1st 1933	1st 1933
Peak	4th 1933	.. ...
Trough	3d 1934	.. ...
Peak	1st 1937	2d 1937
Trough	1st 1938	2d 1938

*Includes all peaks preceded by upswings and all troughs by downswings of at least two quarters' duration and an amplitude of 3%.

†Includes all sets of peaks and troughs since 1919, as determined by A. F. Burns and W. C. Mitchell, Measuring Business Cycles, pages 78 and 82. The last business cycle reference date available for comparison was 1938.

ually, as capital goods production is completed, purchasng power is decreased and production is curtailed—with he increased production capacity acting as a depressing actor.

CONSTRUCTION CONTRACTS

According to Hicks,¶ fluctuations in output and income lo not match in the dynamic process of capital goods proluction. Production output expands after imput. Thus ncome increases before production output, with the result hat "little is left to offset the depressing effect of the increased output when it materializes."

Although unlike industrial plant expansion residential construction does not augment production capacity, it nevertheless is a dynamic element in the economy as an investment multiplier of consumption and as one of the more important segments of investment expenditures as a stimulus to the economy. Moreover, residential construction contracts awarded (data also published currently by the Board of Governors of the Federal Reserve System) by their nature measure such planned construction as indicated by actual contracts.

Therefore, residential construction contracts generally precede turning points in the business cycle not only because they are one of the indicators of the investment multiplier, but because these contracts by their nature are also an index of investment expectations. This lead, of course, does not preclude the importance of plant and equipment expenditures, inventory and foreign investment, as well as Government budget financing, in accentuating the self-reinforcing course of the business cycle. Compared to these other investment factors, residential construction appears to be more exogenous.

It is noted that the peaks and troughs in residential construction contracts preceded the listed business cycle peaks and troughs in seven out of ten cases, were concurrent in two cases, and lagged behind in only one case. In addition, there was one cycle in residential construction contracts unrelated to any listed business cycle reference dates.

MONEY INVESTMENT

Investment expenditures have a multiplier effect on consumer expenditures, according to the investment expenditure theory. In this connection, residential construction contracts may be used as an indicator of anticipated investment expenditures. Thus the bank reserves indicator reflecting the expected money supply in combination with residential construction contracts may be expected to help anticipate the trend of general business activity.

The next step in this approach was the combination of adjusted bank reserves with residential construction contracts by multiple correlation** with the Federal Reserve Board monthly index of industrial production. Since both bank reserves and construction contract series are in terms of value whereas industrial production is a physical index, it was also necessary to adjust for the effect of prices by using the Bureau of Labor Statistics consumer price index.

Thus using three independent variables including adjusted bank reserves, residential construction contracts, and consumer prices with industrial production twelve months later as the dependent variable in the period from 1919 to 1949 (excluding the war years 1942 to 1945 when con-

---

¶John R. Hicks, *Value and Capital,* 2d edition, 1946, pages 286-287.

**Frederick C. Mills, *Statistical Method,* revised edition, 1938, pages 531-565.

Table 3. Turning Points of Estimated Demand and Business Cycle Reference Dates Quarterly, 1919-1938

Turning Point	Estimated Demand*	Business Cycle Reference Dates†
Peak	3d 1919	1st 1920
Trough	4th 1920	3d 1921
Peak	1st 1923	2d 1923
Trough	3d 1923	3d 1924
Peak	3d 1925	3d 1926
Trough	2d 1927	4th 1927
Peak	1st 1928	2d 1929
Trough	1st 1932	1st 1933
Peak	2d 1936	2d 1937
Trough	4th 1937	2d 1938

*Includes all peaks preceded by upswings and all troughs by downswings of at least two quarters' duration and an amplitude of 3% in estimates of demand based on multiple correlation equation.

†Comprises all sets of peaks and troughs since 1919, as determined by Arthur F. Burns and Wesley C. Mitchell, Measuring Business Cycles. The last business cycle reference date available for comparison was 1938.

struction was restricted to Government license), the following estimating equation was calculated:

$$I = 13(B) + 0.35(C) - 0.24(P) + 58.4$$

where I = industrial production index
B = adjusted bank reserves in billions of dollars
C = index of residential construction contracts
P = consumer price index

The turning points of the quarterly forecasts based on this estimating equation were then compared in Table 3 with those of the National Bureau of Economic Research business cycle reference dates.

It will be noted that the peaks and troughs in the estimates preceded the business cycle peaks and troughs in all ten cases by at least one quarter, and by an average of more than three quarters of a year. This long lead was maintained in the postwar experience.

A peak in estimated demand reached in the last quarter of 1947 was followed by a business cycle peak in the last quarter of 1948, as measured by the Federal Reserve index of industrial production. Subsequently the trough in estimated demand recorded in the first quarter of 1949 was followed by a trough in the business cycle during the third quarter of the same year.

This lead and lag relationship since 1919 was not by any means limited to the turning points sequence. The relative magnitudes of recovery and recession, as well as duration were also well correlated. Also the longer leads were recorded for the more important turning points.

Finally, it should be emphasized that the estimating equation is derived from indicators a full year in advance of actual industrial production. It thus may provide the basis for practical forecasting of general business activity.

Standard Steel Spring Company
MAIN OFFICE: CORAOPOLIS, PA.

ready to serve you...

DIVISIONS
and their products

BUMPERS
STANDARD STEEL SPRING CO.
Coraopolis, Pa.
Newton Falls, Ohio

UNIVERSAL JOINTS
BLOOD BROS. DIVISION
Allegan, Mich.

COIL, PRECISION AND MECHANICAL SPRINGS
MUELHAUSEN SPRING DIV.
Logansport, Ind.
CHELSEA SPRING DIV.
Chelsea, Mich.

OPEN STEEL FLOOR GRATING
STANDARD STEEL SPRING CO.
Gary, Ind.

CORRONIZING
STANDARD STEEL SPRING CO.
Coraopolis, Pa.

ARMOR PLATE
ARMOR PLATE DIV.
Detroit, Mich.

SEAT CUSHIONS, BACK SPRINGS
FALLS SPRING AND WIRE DIV.
Detroit, Mich.
GREAT LAKES SPRING DIV.
Chicago, Ill.
STANDARD STEEL SPRING CO.
Los Angeles, Calif.
Trenton, N. J.

FLAT LEAF SPRINGS
STANDARD STEEL SPRING CO.
Gary, Ind.
New Castle, Pa.

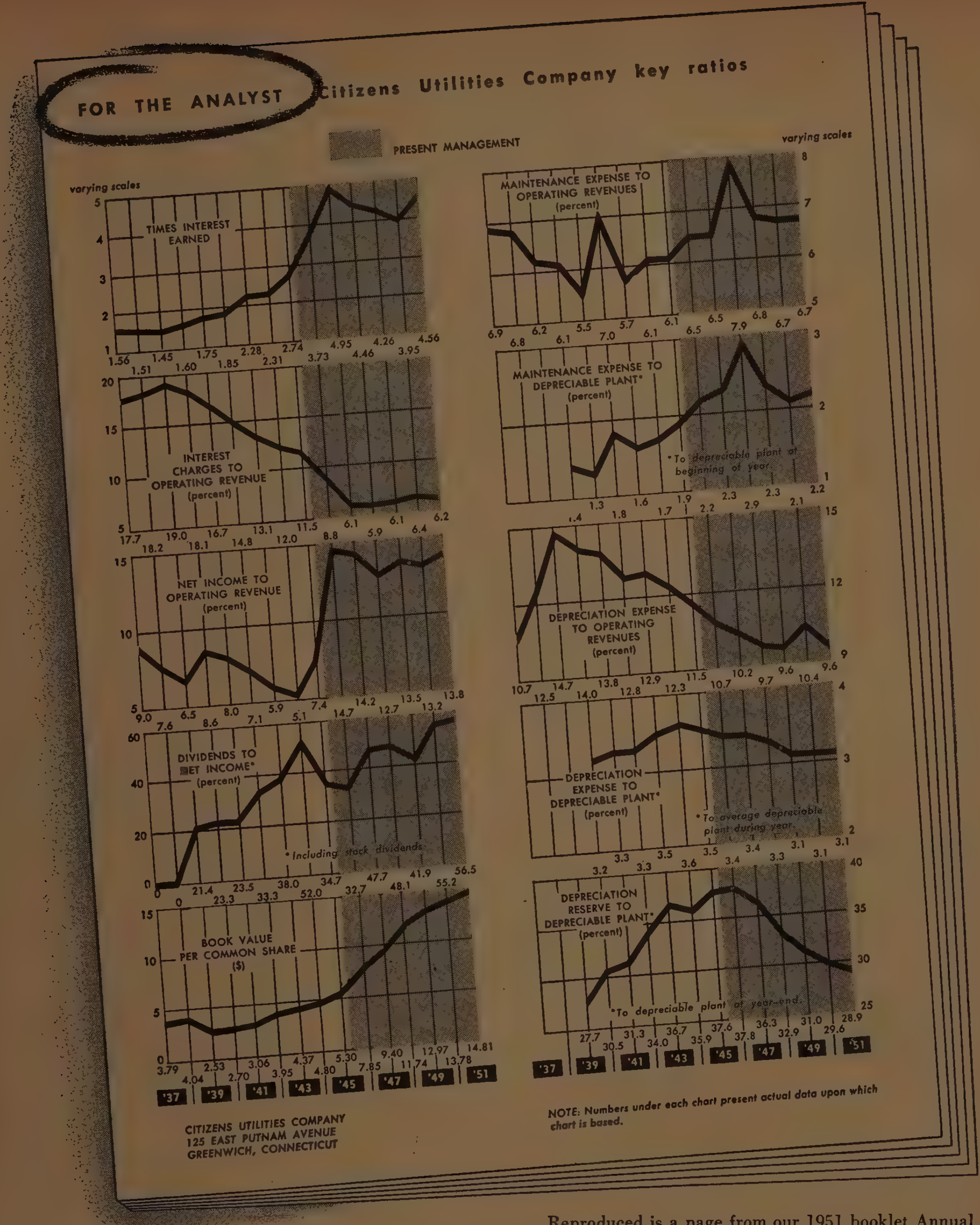
TUBULAR SEAT FRAMES
FALLS SPRING AND WIRE DIV.
Detroit, Mich.
GREAT LAKES SPRING DIV.
Chicago, Ill.

TUBULAR PRODUCTS
FALLS SPRING AND WIRE DIV.
Detroit, Mich.

PLANTS Allegan, Mich.; Gary, Ind.; Chelsea, Mich.; Chicago, Ill.; Logansport, Ind.; Coraopolis, Pa.; Newton Falls, Ohio; Detroit, Mich.; New Castle, Pa.; Los Angeles, Calif.; Trenton, N. J.

DISTRICT OFFICES
1600 Fisher Bldg, Detroit, Mich.
7035 West 65th St., Chicago, Ill.

RESEARCH LABORATORY
Coraopolis, Pa.



FOR THE ANALYST Citizens Utilities Company key ratios

CITIZENS UTILITIES COMPANY
125 EAST PUTNAM AVENUE
GREENWICH, CONNECTICUT

NOTE: Numbers under each chart present actual data upon which chart is based.

Reproduced is a page from our 1951 booklet Annual Report especially planned for the analyst. This page charts, and also informs in specific figures this year, certain key financial ratios, useful and time-saving to those entrusted with the responsibility of evaluating securities for investors. This is a feature of our Annual Report which has been much commented upon ever since its inclusion. We are pleased to learn that it has utility for those charged with the responsibility of advising on the investment of funds. For *your* copy of the complete 1951 booklet Annual Report of this uniquely diversified utility operating company, write to:

Electric, manufactured and natural gas, telephone and water service to more than 52,000 consumers from Maine to California.

Citizens Utilities Company

ADMINISTRATIVE OFFICES, DEPT. A • 125 East Putnam Ave., Greenwich, Conn.
]

Business is up in

SOUTHERN CITY, U.S.A.

"Southern City," U.S.A., is no ordinary town. Its population of 6,300,000 is comfortably spread over an area of 100,000 square miles—the area served by associated power companies of The Southern Company system.

This is Southern City, our way of expressing as one unit the vast Southeast area served by the four associated electric power companies in The Southern Company system.

Industry likes Southern City's growing markets, wealth of raw materials, mild climate, high caliber of employees, low-cost power, and uncrowded building sites.

Agriculture diversifies . . . Livestock raising has come to the front and, with it, the planting of soil-building pasture and year-round cover crops.

Power for Southern City is supplied by forty-four fuel and hydro-generating plants linked together into one great integrated system.

"Southern City" boasts well over a thousand manufacturing and processing plants established in the last decade alone, representing an investment of hundreds of millions of dollars. Yes, business is headed up and the ceiling is unlimited in "Southern City," U.S.A.

Over 115,000 stockholders of The Southern Company, located in every state in the Union, are vitally interested in Southern City's progress because it assures a growing demand for electric power—a demand which, by conservative estimate, will be doubled in the next ten years.

Write the industrial development departments of any of the four operating companies for further information.

ALABAMA POWER COMPANY, Birmingham, Alabama
GEORGIA POWER COMPANY, Atlanta, Georgia
GULF POWER COMPANY, Pensacola, Florida
MISSISSIPPI POWER COMPANY, Gulfport, Mississippi
THE SOUTHERN COMPANY, Atlanta, Georgia

The South and The Southern Company Group are both growing . . . together!

Market Letters

ROLF E. WUBBELS

> Only when a man is safely ensconced under six feet of earth, with several tons of enlauding granite upon his chest, is he in a position to give advice with any certainty and then he is silent.
> *A. Edward Newton*

THE ARDOR WITH WHICH the average stock market enthusiast scans his favorite source of information is probably only equaled by a horse player scanning his dope sheet.

SOURCES OF INFORMATION PRODIGIOUS

Sources of market information are prodigious. They come from astrologists, numerologists, mediums, friends, bankers, customers men (registered representatives), financial services, market letters, etc., etc. This information flowing from a myriad of sources may be good, bad, or indifferent.

The basis for information may be anything. Frederick N. Goldsmith, according to press reports, was able to sell a service which had 400 subscribers, including brokerage houses and at least one university professor. Goldsmith based his tips on the comic strip "Bringing Up Father." The State's Attorney's office claimed Goldsmith's forecasts "as good if not better . . ." than those of other market letters.

INVESTMENT AND SPECULATIVE ADVICE

This stream of advice should be broken down into investment advice and speculative advice. Methods used to differentiate between investment and speculation are arbitrary. The safest course is to examine the objective; investment places the primary objective on safety of principal, reasonable rate of return commensurate with risk assumed, and hope for capital appreciation. Speculation places primary emphasis on capital appreciation with other objectives taking a secondary role. Many persons buying securities in which safety of principal is nebulous are convinced they are investing and not speculating.

PROBLEM OF PERSON RECEIVING ADVICE

Any advice dealing with the financial welfare of another person should take into consideration the problem of the person receiving the advice. Financial recommendation should take into account the age, future earning capacity, family responsibilities, health, individual's financial objectives, and so on, of the person being advised, which only a personal counseling service can do.

True investment advice, although rampant with risk, is not so hazardous as the short-term tip. It is within the realm of possibility to predict the long-term outlook with a reasonable degree of accuracy. Investment advice is based on an analysis of general business conditions, conditions in an individual industry, comparison and evaluation of firms within that industry, with slight emphasis on the technical condition of the market.

Advice to the speculator is based primarily on the technical position of the market. Shelves in large libraries are replete with books on various technical devices that will allow one to predict short-term market action. Were these treatises actually true, the millennium would have arrived for traders. No longer would a situation be approached with a feeling of risk, but success would be assured.

DAILY OR WEEKLY COMMENT

The market letter to be discussed is the daily or weekly comment by the research department of a brokerage house which is supplied to customers' men and customers. The primary objective is to create market activity. Since a brokerage house is dependent on market activity for its brokerage income, this is a reasonable goal.

The success of a market letter from the customer's viewpoint is necessarily dependent on the reliability and validity of the information imparted. Before any conclusion may be reached on this latter statement, the various types of market letters must be classified. One type presents a rather detailed analysis of one or more securities. This type of market letter would appeal more to the investor than to the trader. The material presented is summarized from the financial manuals, financial statements, and personal contacts in some cases, and seems to serve a worthwhile purpose in bringing to the attention of customers outstanding situations in the opinion of the brokerage house's research department. It gives sufficient information for the customer to formulate a preliminary opinion. Unfortunately, the majority of these detailed discussions fail to mention whether or not the research department considers them good for a long or a short period.

SECOND TYPE OF MARKET LETTER

The second type of market letter rambles on at great length concerning the technical position of the market. One well-known market letter writer started his February 19, 1952, letter with the following sentence: "The market acted very badly today." What that statement means is beyond the powers of comprehension to all but a clairvoyant. If he meant that the market went down, then a person with a short position would rejoice. If he meant that it went up, a person with a long position would probably feel he had grounds for cheer.

The advocates of the Dow theory might do well to reflect on some of the assumptions the theory rests on. One of the fundamental axioms of Dow's theory is that the market discounts all factors that might affect business, the market being the composite judgment of the business community. Some market letter writers spend a great deal of time expounding the Dow theory and then proceed to list a series of factors that will mitigate their interpretation of the indices.

The greater the number of tools that are used for market interpretation, the more likely the answer will be correct. However, a little effort to separate the Dow theory from other investment tools would help set the reader at ease.

HAMILTON WOULD BE AGHAST

The late W. P. Hamilton, editor of the *Wall Street Journal*, whose editorial comment largely formed the basis for the Dow theory of predicting business conditions, would be aghast at the use to which the stock averages are put by some market letter writers. Hamilton was adamant in stating that the day-to-day fluctuations of the market are meaningless for prognostic purposes. Several market letter writers at present are wildly enthusiastic about the use of a 21-hour moving average. Before letting their enthusiasm carry them away, they might well review the work done by Alfred Cowles in analyzing forecasting services.

CAUTION A WATCHWORD

The market letter writers who herald Dow-Jones average prices with such enthusiasm might observe an additional caution. The averages undoubtedly do serve a very valuable purpose in measuring trend. Caution should always be a watchword when any mathematical device is used. The securities used in computing the Dow-Jones averages are largely composed of "blue chip" securities. Even within such a group of relatively homogeneous securities, there may be wide price movement divergence. The divergence of price trends will probably be much greater when the stock prices of the "blue chip" variety are compared with the "cats and dogs."

The individual investor is primarily concerned with the factors affecting the issues he holds and not with the movement of an arithmetic mean which may or may not be representative of his securities. Even in a pronounced bull or bear market, there are securities that will move counter to the trend. It would be a public service on the part of the market letter writers to mention occasionally the divergence of the individual securities used to compute the averages. This would help place the stock purchaser on his guard.

RESUME OF WORLD EVENTS

A third type of market letter is the one devoted to a resume and interpretation of world news events. At times this type is fascinating, particularly if the reader has not read a newspaper for the preceding few days, but, as for market information and what to do specifically, it is sadly lacking.

HIGH LIGHTS OF FINANCIAL NEWS

The fourth type is based on high lights of financial news gleaned from the newspaper columns of Norman Stabler, Oliver J. Gingold, and other prominent financial writers, as well as from the Dow Jones ticker.

Still another type is based on the same principal as "DuVal's Consensus," which prints excerpts from the financial services.

These several types are combined in diverse and sundry fashion to give the potential buyer the initial impetus which ends in a purchase.

The contents of these various types of letters will bear analysis. Fifty-four letters were analyzed for specific suggestions to the reader. They contained 129 direct recommendations to buy specific securities, excluding lists reprinted from the financial advisory services. There was not a single recommendation to sell. The letters did occasionally state that a security recommended had been previously suggested.

FOLLOW RECOMMENDATION THROUGH

Letter writers shirk their responsibility if, after making a recommendation, they fail to follow it through. It is not safe to assume the customer himself or the customer's man, on behalf of the client, will keep him posted. Song writers may raise the question "how high the sky" and market letter writers may raise the question "how high the market" but neither, as a rule, gives an adequate answer. Only one writer was discovered, in the letters surveyed, who gave an estimate of the maximum rise he expected in individual securities. Market letters could perform a greater service than they do at present if they not only stressed the wondrous bargains they have uncovered but also mentioned the bitter and sour lemons which, in the profundity of wisdom of the writer, are going down. The market letter writers seem oblivious to the mechanism of the short sale. A customer is just as happy with a profit made on a short sale as with a profit on a long position. Perhaps the dollars used in collecting profits on a profitable short position are the New Deal variety and shorter on purchasing power.

Any check attempted on the accuracy of the recommendations of the sage advisers of the canyons of Wall Street is vulnerable. The period of time used as the check interval can be attacked as to long or too short. A blanket statement on the validity of the predictions of the discerning prophets of finance is therefore omitted from this treatise.

SPOT CHECK WAS MADE

A spot check was made. In a group of market letters dated January 16, 1952, a total of 52 stocks were suggested as good buys. An examination of these same issues on February 26, 1952, showed 15 had gone up for a composite increase of 20 points, 35 had gone down for a total loss in value of 72 3/8 points, while 2 showed no change. The average price of the stocks suggested on January 16 was $44.21; by February 26 the average price was $39.42, a drop of 10.8%. The Dow-Jones composite index during the same period dropped 2.3%.

LETTERS CHOSEN HAPHAZARDLY

The letters selected were chosen haphazardly from a huge pile of market letters on file with the public relations department of the New York Stock Exchange.

The time interval also was a chance selection. Were market letter writers more definite in their suggestion about the time interval, a check of greater validity would have been possible.

Any discussion of market letters would be incomplete without a reference to the financial services that attempt to prognosticate fluctuations in the securities market. They sell their services to individual investors and speculators, as well as to institutions concerned with investment problems. Alfred Cowles conducted an exhaustive study of these services and published his conclusions in an article entitled "Stock Market Forecasting" which appeared in volume 12, number 3–4 of *Econometrica*. His conclusions were: The 11 leading financial services when analyzed over varius periods for 10 to 15½ years did not demonstrate abil- y to predict the market. Of more than 6,904 forecasts ecorded during a 15½-year period there were four times s many bullish forecasts as bearish ones. An analysis of ctual market conditions during the period under study howed it was divided about half and half as far as bull nd bear markets were concerned. The forecasting agen- y with the best record when analyzed over a 40-year period id only 3.3% better than a continuous investment in the ow-Jones average securities would have done.

Alfred Cowles did find that a person applying the "iner- a" principle would have recorded substantial gains. onthly observations were made for a 100-year period etween 1836 and 1935 to test the inertia principle. The nertia principle, according to Cowles, consisted of "buying t the turning point in the market after the price for the onth averaged higher, and selling after it averaged lower han for the previous month." In other words, a rising arket will probably continue to rise, and a falling market ontinue to fall.

CONCLUSIONS

The following conclusions may be drawn from a careful xamination of several hundred market letters. Market etter writers in most instances make only recommendations o buy and fail to follow through with recommendations to sell. Even when a letter was bearish, it failed to mention securities that, in the opinion of the letter writer, would be good for a short position.

Many writers place heavy emphasis on the Dow theory but do not stress that all securities do not move as a group. The advocates of the theory fail to separate it from other statistical tools they may be using.

The market letters, when making recommendations, generally fail to place time limits on when and the extent to which market action can be anticipated. There was one notable exception to this statement.

The letter that deals with general news reviews is probably the most useless type of market letter, since most traders still have five cents to buy a paper. The most useful, from the investor's standpoint, is the one that presents a detailed analysis of one or more securities.

Spot checks that have been made from time to time, including the one mentioned in this report, fail to show that market letter writers can predict with any great degree of accuracy individual security price movements.

The following quote seems appropriate for market letter writers as well as for writers who write about market letter writers:

> One gives nothing so liberally as advice.
> *La Rochefoucauld*

* * *

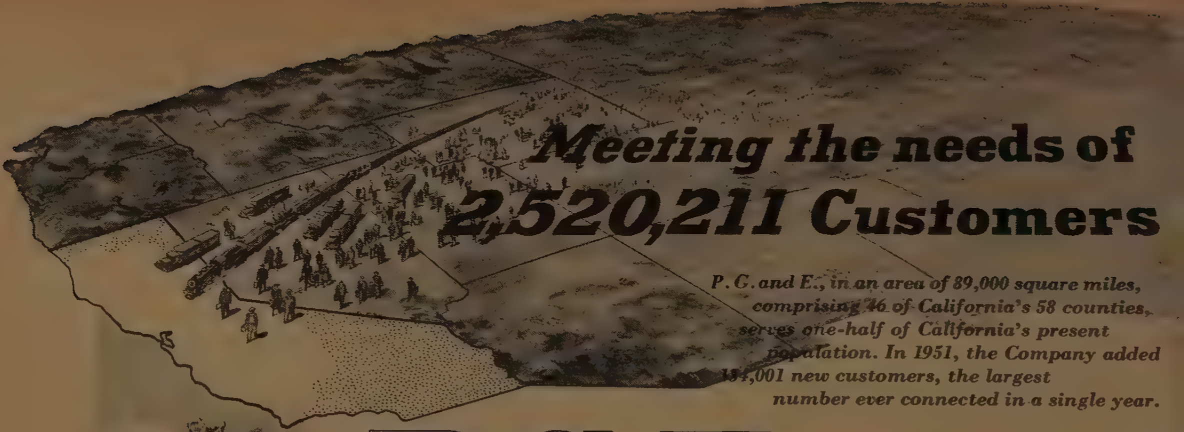
There was a tremendous rise in real estate values in San Francisco in the early 1850's. It was said more money had been made in buying and selling real estate than in the finding of gold. But by 1853 land values declined. After the collapse of the land boom another buying of city lots began. James Lick, Peter Smith, and others were exceedingly successful.

September 11, 1862 . . . The San Francisco Stock Exchange was organized. President, J. B. E. Cavallier; secretary, Franklin Lawton; vice-president, E. W. Teacle; treasurer, Henry Schmiedell. This was the "first Board."

Bank of California organized on June 20, 1864, with Milton A. Latham as manager. "He was called the 22% manager, as that was the dividend declared by the bank as profits for the first year."

1875 . . . Consolidated Virginia sold at $760 a share. California mine "value per foot $144,000; per inch $12,000."

1876 . . . Silver legislation and abundance of silver made that metal sell as low as 45.



Meeting the needs of 2,520,211 Customers

P. G. and E., in an area of 89,000 square miles, comprising 46 of California's 58 counties, serves one-half of California's present population. In 1951, the Company added 154,001 new customers, the largest number ever connected in a single year.

PG&E

1951 Annual Report Highlights

GROSS OPERATING REVENUES advanced to a new peak of $279,499,000. The increase over the previous year was $42,061,000, or 17.7%, the largest annual gain in our history.

NEW RECORDS WERE ESTABLISHED for sales of both electricity and gas. Sales of electricity totaled 12,630,000,000 kilowatt-hours, and sales of gas 200,515,000,000 cubic feet, exceeding those of the preceding year by 14.4% and 16.1%, respectively.

SATISFACTORY PROGRESS was made on our construction program. $152,000,000 was spent on new and enlarged facilities to provide for rapid growth of business in our service area.

OWNERSHIP OF THE COMPANY was further broadened by an increase of 17,965 stockholders. At the end of the year the Company had 188,463 stockholders of record.

HIGHER GAS RATES totaling $17,535,000 on an annual basis were approved by the California Public Utilities Commission to compensate the Company for higher costs and taxes associated with this branch of our operations.

APPLICATION FOR AUTHORITY to increase electric rates $37,650,000 annually was filed with the Commission in July. An early decision should be forthcoming.

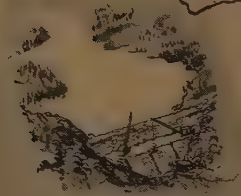
NET EARNINGS for the common stock were $2.14 per share based on average number of shares outstanding, compared with $2.62 per share in the previous year. It is expected that rate increases already granted or applied for will restore earnings to more satisfactory levels.

President

Pacific Gas & Electric Company

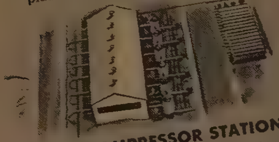
245 MARKET ST. • SAN FRANCISCO 6, CALIF.

A copy of our 1951 Annual Report to Stockholders will be supplied upon request to K. C. Christensen, Treasurer



BEAR RIVER PROJECT

This rock-fill dam under construction, is part of Bear River project. Water stored will operate a new hydro-generating unit and increase output of existing plants on the Mokelumne River.

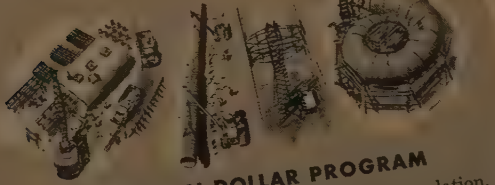


TOPOCK COMPRESSOR STATION

One of three new stations completed on the Topock-Milpitas gas transmission line in 1951. This made possible an increase in deliveries of out-of-state gas from 250 to 400 million cu. ft. per day.

600,000 KW STEAM ELECTRIC PLANT

When completed in 1954, this Pittsburg plant will be California's largest power plant. The eleventh major plant constructed by P. G. and E. since 1945.



A BILLION DOLLAR PROGRAM

To meet the needs of California's growing population, P. G. and E. has spent over $800,000,000 to date on a post-war construction program. By 1953 the Company's construction expenditures will have exceeded one billion dollars—the largest program ever undertaken by any similar utility in the United States.

1951–ANOTHER RECORD YEAR

...in serving The American Family

Beneficial Loan SYSTEM

The Beneficial Loan System in 1951 extended more financial assistance to families than ever before, by making 1,453,490 small loans totaling $430,760,725. These loans, averaging $297, were used mainly to pay off pre-existing debts—not for the production or distribution of goods—and therefore had little if any inflationary effect. Keeping the family in business through times of temporary financial stress is the business of the Beneficial Loan System.

1951 net earnings of Beneficial Loan Corporation and subsidiaries amounted to $12,479,331, setting the seventh consecutive yearly record, compared with $9,967,255 for the previous year. After payment of dividends on Preferred Stock, this is equivalent to $3.80 per share on 3,222,293 shares of Common Stock outstanding December 31, 1951, compared with $3.08 per share on 3,091,364 shares outstanding at the end of 1950. Cash dividends of $2.00 per common share were paid in 1951, as against $1.75 per share in 1950. In addition, a 5 per cent Common Stock Dividend was declared Dec. 3, 1951 and paid Jan. 31, 1952.

During the year Instalment Notes Receivable increased by $42,987,319 and at the year-end exceeded a quarter of a billion dollars. These notes represented 1,118,131 accounts with an average unpaid balance of $224. Growth in total assets was $49,935,997. Capital Stock and Surplus increased by $6,535,002 to a total of $81,173,145.

The number of loan offices increased by 87 during the year and now totals 713—with 652 located in the United States and 61 in Canada. Of these, 575 offices use the name Personal Finance Company and 90 use Commonwealth Loan Company.

BENEFICIAL LOAN CORPORATION AND SUBSIDIARIES

YEAR	AMOUNT OF LOANS MADE	YEAR-END NOTES OUTSTANDING	CONSOLIDATED NET INCOME	PER COMMON SHARE		OUTSTANDING COMMON SHARES
				EARNINGS	CASH DIVS.	
1930	$ 66,012,556	$ 38,706,865	$5,331,294	$ 2.32	$ 1.50	2,014,300
1935	78,948,881	52,952,489	5,574,292	2.21	1.50	2,173,394
1940	141,488,729	77,730,631	6,431,382	2.61	1.85	2,314,989
1945	141,839,884	69,244,134	4,589,307	2.11	1.20	2,000,000
1946	180,882,354	104,894,284	5,563,343	2.25	1.50	2,383,100
1947	203,995,077	118,092,186	6,431,432	2.56	1.50	2,383,100
1948	229,041,935	134,503,123	8,012,503	3.14	1.65a	2,383,100
1949	261,077,869	151,189,179	8,264,030	2.76	1.50b	2,728,208
1950	316,390,109	207,494,743	9,967,255	3.08	1.75	3,091,364
1951	**430,760,725**	**250,482,062**	**12,479,331**	**3.80**	**2.00c**	**3,222,293**

a Plus dividend declared in Common Stock of Continental Motor Coach Lines, Inc., paid in 1949.
b Plus dividends of 12½ per cent in Common Stock of Company.
c Plus dividend of 5 per cent in Common Stock of Company declared in 1951 and paid in 1952.
Years 1945 through 1948 include operations of motor carrier subsidiaries disposed of in latter year.

CONDENSED CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1951

Assets

Cash		$ 28,786,532
Instalment Notes Receivable	$250,482,062	
Less—Reserve for Losses	13,186,978	237,295,084
Accounts Receivable		166,139
Total Current Assets		$266,247,755
Other Assets and Deferred Charges		9,956,060
TOTAL		$276,203,815

Liabilities

Loans Payable	$ 46,832,900
Federal Income Taxes	9,304,758
Accounts Payable	4,116,488
Employees' Thrift Accounts	6,850,215
Total Current Liabilities	$ 67,104,361
Long Term Debt	119,878,000
Deferred Income, Etc.	4,021,284
Minority Interests	4,027,025
Capital Stock and Surplus	81,173,145
TOTAL	$276,203,815

A copy of the Company's complete Annual Report for 1951 will be furnished upon request.

Beneficial Loan Corporation

WILMINGTON, DELAWARE

The information contained herein should be read in conjunction with the financial statements and notes appearing in the 1951 Annual Report to Stockholders which contains the certificate of Messrs. Haskins & Sells, Certified Public Accountants. This advertisement is published solely for the purpose of providing information. It is not intended for use in connection with any sale or purchase of, or any offer or solicitation of an offer to buy or sell, any securities.

Some Economics of Forestry

EVERETT DOMINICK

An old Indian is credibly reported to have remarked one time in rich redskin metaphor, "No worry about money. Paper dollar big wind blow away. Silver dollar roll down mountain, sink in lake. Great Spirit wish Indian keep money, make it square like dice, stop roll right place."

To early Americans, right place was synonymous with good hunting. For Americans of our time, right place is synonymous with minerals, crops from fertile soil and water. So, in contrast to mining of minerals, we wisely consider turning away from mining the soil toward enriching the soil.

Johnny Appleseed could be regarded as among our earliest conservationists, followed by John Muir, son of the wilderness, Gifford Pinchot, Teddy Roosevelt, Louis Bromfield. Therefore, as analysts it is fitting for us in some preliminary fashion to attempt to introduce an expressed appreciation of trees and the economics of forestry.

COMPARISONS BETWEEN ORE MINING AND FORESTRY

Right here, some comparisons between ore mining and forestry deserve attention. With a high metal price, low-grade ore can be extracted economically. With high lumber prices, it is wasteful to cut young trees. With a low metal price, all ore grades, including high grade, theoretically may be left in place. With low lumber prices, trees remain uncut though mature, and board-feet of lumber content will deteriorate in quality and gradually decline in absolute volume.

In many vertically integrated forest enterprises, fixed investments conform approximately to the following list:

- Mature and immature standing timber on owned land.
- Land leased for timber-cutting rights.
- Various rights to cut timber of others.
- Logging facilities and equipment.
- Sawmills.
- Manufacturing plants.
- Warehousing (decentralized).
- Transportation:
  - Railroads and equipment.
  - Roads and equipment.
  - Marine equipment.

ITEMS IMPRACTICAL TO DUPLICATE

Many items in this list constitute important holdings impractical to duplicate. Other items require heavy insurance coverage in excess of cost. Standing timber is the raw material; once it is mined out, nothing remains to support the operations of a vast variety of fixed plant. However, selective cutting and reforestation can be geared to assure continuity and capacity manufacturing operations through a foreseeable future. For effectuating such a program, heavy expenditure is unavoidable. For any cost year, there occur various disbursements, some expensed, others capitalized: cruising, surveying, estimating, roads, drainage, planting, brush and weed prevention, thinning, spraying, fire control. Fixed investments revalued at 1913 and subsequently acquired depend for cost on management accounting policy, subject to internal revenue tax regulations. Other selected operating accounts deserve attention as also having an important bearing on sound maintenance.

LUMBER AND PULPWOOD TIMBERLAND

In Table 1 are listed figures actually reported, representing lumber timberland area *A* (book at gross), and pulpwood timberland area *B* (book at net), after deduction of sales of property, stumpage, depletion and write-offs.

HOW DEPLETION IS FIGURED

Depletion is figured as follows: The cost for a given timber area is divided by the estimated recovery from that property to give the cost to the company per unit (cord if the timber is pulpwood or thousands of feet if the timber is lumberwood) that can be taken out. Then the cost per unit is multiplied by the number of units removed during the given auditing period which is the depletion allowance. For example:

$$\frac{\$\ 100{,}000 = \text{cost of timber area to company}}{1{,}000{,}000 = \text{units estimated for recovery}} = \$0.10 \text{ cost per unit}$$

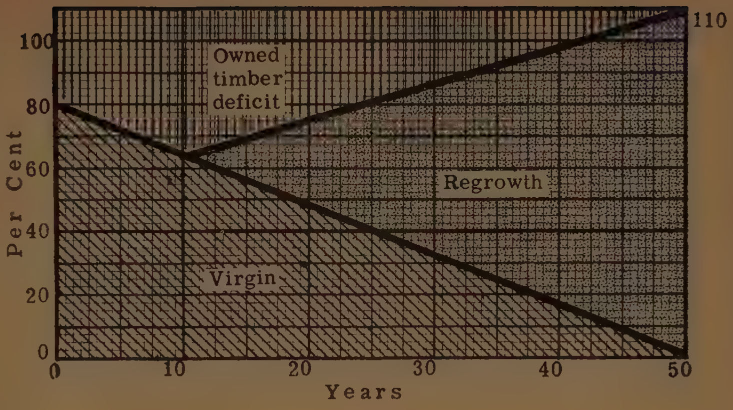
Damages to adjacent stand incidental to cutting and logging should be added to depletion. Nonrecurrent dam-

Table 1

	1948	1947	1946
A			
Timber & timberlands, etc., Mar 1, 1913, values plus subsequent addition at cost	$83,177,378	$82,704,208	$82,408,546
Depletion	2,711,359	2,214,403	2,405,519
B			
Woodlands, net	30,545,704	29,523,761	28,866,076
Depletion	881,272	1,090,899	1,271,149

Mill operating rate as per cent of capacity in thousand board-feet finished structural lumber (*a, b, c,* product mix), and by hypothetical proportion of owned accessible mature timber, virgin or regrowth, and owned timber deficit.

Present mill operating rate 80% of capacity
Present mill capacity 100%
Future mill capacity 110%



age such as fire, pest, disease, and flood may be partially provided against by an annual reserve for contingencies.

Expense of logging and transit mill pond added to cost of precut stand equals cost of raw material in pond. However, value in terms of market price for this raw material inventory may be quite another matter. This differential, when plus, may influence the operator to seek authorization for LIFO and permission to treat differential as capital gain, taxable at 26%. Moreover, in a rising market, LIFO modifies other intermediate inventory gains and tends to reduce taxes and income and excess profits. Open market logs of equal quality, delivered to pond at a price below cost of own logging and transitu, avoids nominal charges to income for depletion and promises a minor operating advantage.

Depreciation may be accelerated voluntarily or by certificates of necessity.

Raw material in trees of pioneer days, once got for the taking at a price to consumer dependent only on personal exertion, now must be competed for and processed with ever-increasing complexity and expense. Contemporaneously we have seen developed from wood in ever-increasing magnitudes synthetic substitutes to supplement other agricultural derivatives peculiarly variable in volume and price. Consequently, because of a higher residual margin of value in wood, we can reinvest exertion and cost, to extend the supply of wood by reforestation. Otherwise expansion of logging ultimately will encroach upon the law of diminishing returns. Thus the forester needs to determine accurately when a tree is ripe to yield maximum board-feet of quality lumber and choose a course for moderate profit by cutting only mature trees, rather than be tempted by the specious profit of a going concern to cut all trees in an area at one time. A differential will be revealed by recording the "present worth" of future benefits in growth. As the economic margin of future stumpage value is recognized, a profound effect becomes apparent.

1. Present worth of future trees increases annually until it emerges as an unearned increment.

Table 2. Sample Journal Entries for Depletion, Etc.

	Dr.	Cr.
Income	$2,000	
Reserve for Depletion		$1,000
Lumber Timber Area A		
Pulpwood Timber Area B	$ 500	$1,000
Planting Lumber Timber Area A	$ 500	
Planting Pulpwood Timber Area B	$ 500	
Cash		$1,000
	$3,000	$3,000

2. Outside agencies discover incentives toward fire protection, insect and disease prevention.

3. Second growth, even bare land, begins to claim attention.

NOT THE ONLY WASTE

Zero-margin cutting is not the only waste. Lack of attention to land and subzero trees is a prime source of destruction. True economic gain depends on future returns from reproduction of new stands and growth of subzero trees. Although a deferred asset, cost and expense of forest maintenance are investments as truly as an original price paid for the property.

Prices for lumber affect marginal value of stumpage. Price is a dynamic measure to value. Otherwise value is static, an opinion only. For management or labor to engineer static value for goods or services may be discretionary but, when an unrestrained privilege, will be not far removed from monopoly. Limitations on production and price of natural rubber, coffee, and quinine have been notoriously unsuccessful. Man's primary interest is as a consumer, a role to which he devotes over two thirds of his active life. Consequently, any rise in price becomes a burden to all, not excepting erroneously jubilant pressure groups protected by doubtful guidance. The majority of per capita purchasing power is supplied by lower incomes; thus, the lowest practicable producer price releases the greatest total effective demand among all consumers.

Structural lumber is priced by (1) retailers, (2) wholesalers, (3) the marginal mill, (4) logs by the marginal logger, (5) freight rates by the carrier, (6) an estimated marginal value for lumber content in accessible mature trees. The six steps separating consumer and producer may be made to appear in converse order in forestry, where the initial enterprise is concerned with stumpage and the soil in which it grows.

VALUATION BY MARKET PRICE

*V*1. Marginal value per unit 1,000 board-feet measure for finished lumber inventory FOB mill will be wholesaler's buying price adjusted for transitu.

*V*2. Marginal value for lumber content of logs in pond at mill site will be *V*1 minus mill processing expense.*

Table 3. Sample
Thousand Board Feet

Log Measure, In. - Ft	Estimate Vermont	Scribner C	Doyle	Actual Mill Tally
10 - 10	42	30	22	45
8 - 12	32	30	12	35
10 - 10	42	30	22	40
11 - 10	46	40	31	53
13 - 12	78	70	61	85
9 - 10	37	30	16	30
9 - 12	54	30	19	46
8 - 10	33	20	10	30
9 - 88	24	20	12	33
9 - 12	54	30	19	52
Totals	442	330	224	449

*V*3. Marginal value for lumber content of mature standing timber ready to cut will be *V*2 minus expense of logging and transitu mill.

*V*4. Land cut over and idle; theoretical marginal value will be zero.

In free markets such as cotton and grain standard units of volume and quality are customary. Standardization of this order is at lowest ebb in forestry. The unit used is that applied to the product, but, as the product is still in trees mature, immature, and still to be planted, measurement correctly is termed an estimate. Such an estimate can be applied even to bare land.

Alternative	*Value*
Land cut over and idle	Zero
Land sale by auction, negotiation	Market price
Land for reforestation	Estimated

TIMBER SITES CLASSIFIED

Timber sites may be classified for purposes of appraisal by % soil, % rocks, % slopes, % water, % young growth, deduct % inaccessibility. Apply log rule for trees, diameter (less bark) in inches and length in feet.

Land areas *a*, *b*, *c* will produce mature trees at *N*th year. For similar mature areas, project stumpage value moving average to *N*th year. Find present worth at 5% for each area value at terminal *N*th year. An investment of said present worth or less, in predetermined planting and land combined, will emerge as standard *V*3 at *N*th year.

Air reconnaissance and mapping can speed up surveying and estimating enormously. Demand by private interests and experienced operators for cut-over land has become a real factor. Whatever the going market price, the prospective reforester may buy or refuse, depending on whether or not his own scientific appraisal signals a buying opportunity. Mineral values, if suspected, tend to dominate land price levels and usually exceed present worth for reforestation purpose.

Malabar Farm describes with singular emphasis nature's cycle of birth, growth, decay, and rebirth as a mayor influence in the recuperative powers of the soil. Properly tended forests can be made renewable and reproductive by bridging gaps in the series of age and species. An example of forest product yield that has endured for one thousand years is credibly reported in Switzerland.

Considerable progress intended to alleviate the burden of property taxes on forests is set forth comprehensively in *State Forest Tax Law Digest* by the division of forest economics, Forest Service, Department of Agriculture, and is further summarized to 1950 by Carl A. Newport in the *Journal of Forestry*, Volume 49, number 3, March 1951.

Walter Mulford is consulting editor for the American Forest Series (technical books) published by McGraw-Hill Book Company. Forest Enterprises, 1740 K Street NW, Washington, D. C., is mentioned by the Society of American Foresters as qualified to interpret forestry accounting routine. Supplementing operators' individual departments devoted to forest management research, other experiments promising long-range benefits include tree breeding and hybridization studies at Placerville, Calif.; fertilization of tree crops, especially in the Southeast; and mechanized planting.

---

*Fully integrated, entire profit or loss conceivably may be accounted to differential between cost and market price of logs in pond.

CONCLUSION

In conclusion, stumpage value in trees before cutting is marginal or residual, and is estimated backward from wholesale market price per thousand board-feet finished lumber, FOB mill. But beware; stumpage value in terms of dynamic market price is not synonymous with owner's cost.

As in any other enterprise guarding the purchasing power of private or corporate assets, foresters likewise can change the trim of their sales according to shifts in the value of money.

When the total volume in units of circulating medium at a uniform velocity increases more rapidly than the supply of consumers' goods, consumers are forced to pay more units of circulating medium in exchange for goods. Operating income of producers increases in units, but buys less benefits per unit. Creditors find that their long outstanding receivables have lost real purchasing power per unit of circulating medium. Resort to reforestation aims at continuity of an original natural resource, exchangeable at all times for units of circulating medium, whether the latter be scarce or superabundant.

THE COLUMBIA GAS SYSTEM, INC.

The Board of Directors has declared this day the following regular quarterly dividend:

Common Stock
No. 71, 20¢ per share

payable on May 15, 1952, to holders of record at close of business April 19, 1952.

DALE PARKER
Secretary

April 3, 1952

Southern California Edison

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 169

PREFERENCE STOCK
4.48% CONVERTIBLE SERIES
DIVIDEND NO. 20

PREFERENCE STOCK
4.56% CONVERTIBLE SERIES
DIVIDEND NO. 16

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable April 30, 1952, to stockholders of record April 5, 1952. *Checks will be mailed from the Company's office in Los Angeles, April 30, 1952.*

P.C. HALE, *Treasurer*

March 21, 1952

Your copy is now available

Detroit Edison's Annual Report

"The Company's future holds a prospect of substantial physical growth and comparable increase in sales of electricity. Ours is a basic and essential commodity with constantly broadening applications to every facet of our customers' lives, be it work, play or just good living."

Prentiss M. Brown — *Chairman*
Walker L. Cisler — *President*

* * *

The above extract is from Detroit Edison's Annual Report which has just been mailed to over 70,000 stockholders and employes. An illustrated 20-page booklet, it contains complete financial statements and highlights of The Company's operations in 1951, news about our new construction program and atomic energy research. A copy will be mailed you on request. Write Arthur S. Albright, Treasurer, 2000 Second Avenue, Detroit 26.

The Detroit Edison Company

Serves More than Half the People of Michigan

This advertisement is not intended to induce the sale or purchase of any securities.

Serving one of the nation's great basic industries, The Celotex Corporation operates at Marrero, Louisiana, the largest plant in the world devoted solely to the manufacture of insulation board building products. Situated on a tract of more than 500 acres just across the Mississippi River from New Orleans, this plant has in the annual sugar cane crop of Louisiana plantations, a convenient and plentiful source of bagasse, the long and tough fibres remaining after extraction of juice from sugar cane. Bagasse is the basic raw material used for the manufacture of all Celotex insulation board and cane fibre acoustical products.

Principal Celotex Building Products

Insulation Board Products
Rock Wool Products
Gypsum Products
Asphalt Roofing Products
Acoustical Products

Other Plants

Avery, Ohio
Cleveland, Ohio
Fort Dodge, Iowa
Hamlin, Texas
Lagro, Indiana
Los Angeles, California
Madison, Illinois
Metuchen, New Jersey
Port Clinton, Ohio
London, England

CELOTEX
REG. U. S. PAT. OFF.

THE CELOTEX CORPORATION • 120 SOUTH LA SALLE STREET • CHICAGO 3, ILLINOIS

OVER A QUARTER CENTURY OF MANUFACTURING FOR AMERICA'S GREAT BUILDING INDUSTRY

1886

Welcome to

The NATIONAL FEDERATION of
FINANCIAL ANALYSTS SOCIETIES

Fifth Annual Convention
San Francisco • Los Angeles

PACIFIC LIGHTING CORPORATION
433 CALIFORNIA STREET • SAN FRANCISCO

Subsidiaries
Southern California Gas Company
Southern Counties Gas Company of California
Pacific Lighting Gas Supply Company
Head Offices: 810 So. Flower Street • Los Angeles

December 31, 1951 • 1,644,562 active meters
Growth, 1946-1951 • 507,529 active meters
Average growth per year, 1946-1951:
84,588 active meters

SOUTHERN CALIFORNIA : AMERICA'S FASTEST-GROWING AREA
SERVED BY AMERICA'S LARGEST GAS DISTRIBUTING SYSTEM!

Book Reviews

In this department are summarized books, articles, and documents of outstanding economic or financial interest. A list of articles, which may be useful to the security analyst, follows the reviews.

Helen Slade is the author of the books reviews. She will co-operate with members of the Society desiring source material for JOURNAL *articles and for research projects and studies.*

The Development of Bank Debits and Clearings and Their Use in Economic Analysis

George Garvy
Board of Governors, Federal Reserve System, Washington, D. C., 175 pp

The only shortcoming to be mentioned in this erudite study is the cumbersome title. For the facts therein presented, although highly technical, will bring joy to those persons who find so many answers in the behavior of debits and clearings.

Mr. Garvy finds a weakness of clearings data lies in their not including checks deposited for credit; moreover, they are inflated by interbank payments. Debits reflect a wide use of deposit money which is more comprehensive. New series are exceedingly valuable and indicate a larger area, with the New York district being especially enlightening. Since New York reports of debits include America's largest financial center as well as a great business center, they become fairly accurate as barometers, and have a definite correlation with speculative transactions. The "impact of speculative transactions on New York debits is to compare them with fluctuations in total debits." In spite of this, debits and clearings more often than not show similar cyclical fluctuations.

Because there is greater uniformity of items covered, it is indicated that debits are superior to clearings in gagging both business conditions and the ensuing speculative trend. That series of both will be constantly improved seems likely. In the meantime, they serve a useful purpose and give insight into estimates of buying power.

Not only will this study fortify the convictions of analysts who have used these computations, but it will be enlightening to many others as well. The bibliography is especially good.

Short Selling on the New York Stock Exchange

Fred R. Macaulay in collaboration with
David Durand
Twentieth Century Fund, 1951, 66 pp

To quote the 1950 report of the Fund, "the research findings of a long-delayed study of the effects of short selling on the stock market, originally prepared by Fred R. Macaulay, is summarized by both authors." Only a small portion of these findings is published, which leaves us with hopes of seeing the remainder at some future time, for this book presents important material.

After weighing the impact of short selling on stock market prices, Mr. Macaulay does not believe that "short selling had, during the period of this study, any pronounced effect on the major movements of stock prices." But incidents of interest have been uncovered. Stories portrayed by the charts make astonishing reading, for some astute traders certainly did benefit by short selling.

Chart 18 covers the operations of several short sellers in steel on September 27, 1937. Two are of special note. The price of steel shares' sales by several operators is recorded on an hourly basis. It will be noticed that trader *A* and member *S* "conducted some rather interesting operations." *S*, representing a bond house, established a short position in steel of 15,000 shares. This was to serve as a hedge to protect his firm's long position in second-grade railroad bonds. He began selling between 10 and 11 A. M. But *A* "was able to establish a short position of 2,400 shares before *S* made his first sale." Soon after *A* had established his short position, *A*, the bond man, "began to sell short." These transactions give quite an exciting picture of the hedger and the clairvoyant.

On the more academic side, there is a learned discourse of methods that might have been successful for curtailing taxes and data proving that a short interest in itself does not always denote more than commitments against the box. Charts 15 and 16 illustrate the fact that the short position of stocks that are not market leaders shows a greater tendency to increase as prices rise, and to decrease as prices decline, than does the position of the leading stocks. Active stocks, because more widely held, are less dangerous for a short position. But, at present, large profits from short sales are merely historical. There is no reason to believe that "short selling materially affected market moves." This is an interesting study, beautifully worded and full of illuminating facts. The supply is limited, but, while it lasts, a copy may be had from the Twentieth Century Fund by request.

U. S. Government Bond Market Analysis

Leroy M. Piser
New York Institute of Finance
$3, 61 pp

These lectures stress the importance of Government securities as a base for the valuation of all securities. Of course this is true. For not only are securities influenced by the price of Governments, but also interest rates follow in their path.

There is much to be learned from reading this study. Operations of the Treasury Department are clarified with emphasis on how this fiscal office operates.

One cannot count on a large civilian and defense program; thus it may be that, although defense expenditures increase, wage earners' buying potentialities may not. Yet it is expected that savings on the part of the public will show signs of growth. Unless the non-bank investors will buy and hold bonds, inflation might result. One thing the Treasury must do is to sell securities to investors and long-term marketable securities to life insurance companies. Up to this point the Treasury has not sold long-term bonds, largely because the life insurance companies and savings banks have not enough cash on hand for this kind of investment.

Chapter VI on Federal Reserve policy is entitled to special and careful reading, for it affords a background for appraising the current situation. Any attempt to judge the security market must include a consideration of both the Federal Reserve and Treasury "debt management policy." National defense spending must be ever in mental evidence when any future trend is considered. This series of lectures should have been heard by most analysts; now the wisest road to travel is to read, and ponder over, what they so aptly teach.

MANAGERIAL ECONOMICS

Joel Dean
Prentice-Hall, $6.50, 619 pp

Conditions of corporations will be more fully understood after one reads this book. Economic analysis presented includes many new principles for industrial analysts, as well as for persons whose activities include an appraisal of business conditions, and how to improve management. There are methods of new measurement described, and estimates of possible profits made easier to evaluate, as are appraisals. This should be useful to practicing analysts and accountants.

THE ECONOMICS OF ARMAMENT INFLATION

Jules Backman
Rinehart & Company, $1.75, 234 pp

It seems certain that a partial war effort must rest on a pay-as-you-go basis. Just how this will be financed is discussed. Of course, the Government will find funds for armaments in one way or another. For that reason the method of financing becomes tremendously significant. Just where these great sums may be secured and how are discussed from all angles.

Three fifths of the taxable income lay in the $5,000-a-year bracket in 1951, and one fifth in the over-$10,000 incomes. Since personal income taxes are the largest single source of revenue to the Federal Government, this must not be overlooked. Other major tax pools are to be found in those taxes imposed on liquor, tobacco, retailers, manufacturers, and, perhaps, a general sales tax.

The author thinks credit controls as a whole are unlikely, for their impact on interest rates might be harmful to the economy. "Nevertheless, the monetary authorities can play an important role in restricting the expansion of credit for non-armament purposes." This could be brought about by the restriction of nonessential loans.

Price controls too are useful, but only as supplementary efforts. Throughout the book, arguments for taxation as the chief weapon against inflation are stressed. All types of controls are measured, but often found wanting. Just what the economy might face is brought into view. Since the study is so scientifically done, it all makes food for deep contemplation.

CREDIT POLICY
RECENT EUROPEAN EXPERIENCE

Per Jacobsson
An Address at the National Industrial Conference Board, New York City

Dr. Jacobsson thinks that higher interest rates would act as a curb on inflation—especially after stability might be attained. It seems to be the duty of the United States to "maintain the greatest possible stability in monetary and price conditions." The United States has done well, he thinks, in attaining monetary and price stability. This has been achieved by changes in credit and monetary policy, increased taxes, and a rise in incomes which made a large governmental cash revenue possible. Armed expenditures put the Federal cash budget "in equilibrium during the first half of 1951." And the 1951 harvest was good.

Monetary policy alone will not achieve everything; it must be accompanied by a sound budget policy and "appropriate rates of exchange." He also discussed the relationship between the world markets and thinks the American price level of importance for Europe.

TAXATION OF THE TRUCKING INDUSTRY

Richard W. Lindholm
Bureau of Business Research,
Ohio State University, $3, 141 pp

Today the motor carrier industry has become one of our great enterprises. It is apparently showing great growth and shipping possibilities. Number of carriers has increased tremendously during the past ten years. Operating revenues derived from this activity grew from $470.2 million in 1940 to $2,109 million in 1949. Their operations in the central regions are on a much larger scale than in the Middle Atlantic States.

Most important single tax is that on gasoline, which goes somewhat toward highway expenditures. Not all this tax is available for road maintenance, but much is used for other Federal expenditures.

Relative wage and gasoline expenditures are weighed, as is the profitableness. "The idea that roads should pay for themselves" can, thinks the author, "bring about an undesirable use of resources." Which certainly makes one wonder?

The book is simply written and should be a source of delight to analysts who incline toward the motor industry. Certainly no point that might be controversial is overlooked, and it brings a clear understanding not only of the taxes but also of the problems of the industry.

THE CORPORATION INCOME TAX

Richard Goode
John Wiley & Sons, $3, 242 pp

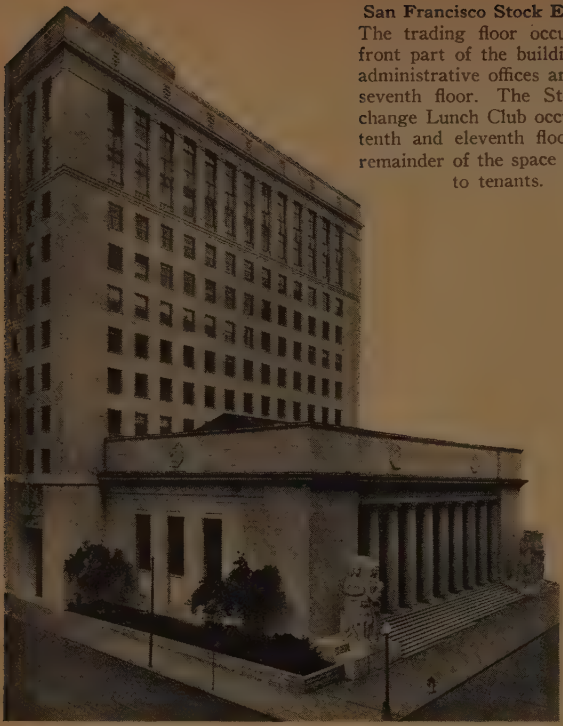
In this book there are presented a variety of new ideas, some of which will not be agreed to by analysts. Dr. Goode finds the "corporate tax merits the important place it occupies in the Federal revenue system and is worthy of a larger role in the state tax system." It is admitted that a corporation tax is "relatively unfavorable to investment" although favorable to consumption.

The tax may stimulate monopolists to raise their prices, and it should make possible demands by some unions for high wages. It does not weigh too heavily on wages, nor can corporations pass it back to their employees. Neither can the stockholder shift his tax anywhere.

The difficulty of share holders shifting their tax burden and the slowness of stocks to adjust to this situation would turn funds toward the bond market. Senior securities would be less adversely affected. Corporate buying of stocks would be restricted, which could hardly be offset by noncorporate buying. It might be well for investors to read this book and ponder. Undoubtedly the author is not entirely alone in his views; for this reason they are important.

Fifth Annual
National Federation of

FAIRMONT HOTEL



San Francisco Stock Exchange
The trading floor occupies the front part of the building. The administrative offices are on the seventh floor. The Stock Exchange Lunch Club occupies the tenth and eleventh floors. The remainder of the space is rented to tenants.

Investing Today

Douglas R. Johnston . . . . *Chairman*
Commonwealth Investment Co., San Francisco

George K. Whitney . . . . . . *For a Common Stock Fund*
Trustee, Massachusetts Investors Trust

A. Moyer Kulp . . . . *For a Balanced Fund*
Vice-President, Wellington Fund

David G. McCornack . . . . . . *For a Closed-End Trust*
Vice-President, Adams Express Co.

Kennard Woodworth . . . . *For a Growth Fund*
Vice-President, Eaton & Howard

Western Railroads

Walter F. Hahn . . . . *Chairman*
Smith, Barney & Co.

Daniel J. McGanney . . . . . . *The Outlook for Revenues*
Vice-President, Southern Pacific Co.

Frederick C. Whitman . . . . . . *The Outlook for Profits*
President, Western Pacific Railroad Co.

David A. Hill . . . . *Analyst Summary*
Railroad Consultant, Chicago

Pacific Coast Utilities

Marvin Chandler . . . . *Chairman*
Reis & Chandler

James B. Black . . . *California Utilities—Their Growth and Outlook*
President, Pacific Gas & Electric Co.

Thomas W. Delzell . . . *Power in the Pacific Northwest*
Chairman of Board, Portland General Electric Co.

Robert A. Hornby . . . *What's Ahead for Natural Gas?*
Executive Vice-President, Pacific Lighting Corp.

Carl C. Brown . . . . *Analyst Summary*
Lawrence M. Marks & Co.

General Luncheon

Richard W. Lambourne . . . . *Chairman*
Dodge & Cox

G. Keith Funston . . . . *Who Owns America?*
President, New York Stock Exchange

Other speaker to be announced.

Paper and Timber

George M. Hansen . . . . *Chairman*
Keystone Custodian Funds

J. D. Zellerbach . . . *Prospects Ahead for Pulp and Paper*
President, Crown-Zellerbach Corp.

J. P. Weyerhaeuser, Jr. . . . *Conserving Timber Resources for the Future Demand*
President, Weyerhaeuser Timber Co.

W. T. Moran . . . . *Viewpoint of the Canadian Analyst*
Greenshields & Co.

The Petroleum Industry

Robert Coltman . . . . *Chairman*
Philadelphia National Bank

Albert C. Mattei . . . . *Prospecting in 1952*
President, Honolulu Oil Corp.

R. G. Follis . . . . *The International Oil Situation*
Chairman of Board, Standard Oil Co. of California

Robert L. Minkler . . . *Supply and Demand in the West*
President, General Petroleum Corp.

Gilbert Palmer . . . . *Analyst Summary*
National City Bank of Cleveland

Convention Program
Financial Analysts Societies

SAN FRANCISCO

Annual Dinner

Pierre R. Bretey . . . . *Chairman*
President of the Federation, Baker Weeks & Harden

Benjamin Graham . *Toward a Science of Security Analysis*
Author, Consultant, and President,
Graham-Newman Corp.

Marriner S. Eccles . . . . *The Problems Ahead*
Former Chairman, Board of Governors,
Federal Reserve System

Metals and Minerals

Robert H. Goff . . . . *Chairman*
Automobile Mutual Insurance Co. of America

Donald Browne . . . . *The Outlook for Aluminum*
Vice-President and Treasurer, Kaiser Aluminum & Chemical Corp.

P. J. Lovewell . . . . *Industrial Uses of Radioactive Fission Products*
Assistant Chairman, Dept. of Business & Industrial Economics, Stanford Research Institute

Donald B. Macurda . . . . . . *The Analyst Viewpoint*
First Boston Corp.

Banking

George R. Berkaw . . . . *Chairman*
The Detroit Bank

W. J. Braunschweiger . . *West Coast Banking Opportunities*
Executive Vice-President,
Bank of America, N. T. & S. A.

George Geyer . . . . *The Outlook for Bank Stocks*
President, Geyer & Co.

Paul B. Kelly . . . . *Analyst Summary*
First Vice-President, Anglo California National Bank

The Insurance Industry

Samuel B. Jones . . . . *Chairman*
Fire Association of Philadelphia

Fred H. Merrill . . . . *The Outlook for "Fire"*
Vice-President, Fireman's Fund Insurance Co.

Richard H. Samuels . . . . . . *The "Casualty" Situation*
Financial Secretary, Continental Casualty Co.

Horace W. Brower . . . . *The Outlook for "Life"*
President, Occidental Life Insurance Co. of California

Shelby Cullom Davis . . . . *Analyst Summary*
Shelby C. Davis & Co.

Luncheon—The Stock Market Outlook

Philip J. Fitzgerald . . . . *Chairman*
Dean Witter & Co.

Harry D. Comer . . *The Market—Backward and Forward*
Partner, Paine, Webber, Jackson & Curtis

William F. Edwards . . . . *A Look from the West*
Dean, School of Business, Brigham Young University

Lucien O. Hooper . . . . *Analyst Summary*
W. E. Hutton & Co.

Schedule

SUNDAY, MAY 4

1:00– 6:30	Registration	Main Lobby
6:30– 8:00	Directors Dinner	Garden Room
8:15– 9:30	Business Meeting	Garden Room

MONDAY, MAY 5

9:00–10:30	Investment Companies	Terrace Room
10:45–12:15	Western Railroads	Venetian Room
	Pacific Coast Utilities	Nob Hill Room
12:30– 2:15	General Luncheon	Gold Room
2:30– 3:50	Paper and Timber	Terrace Room
4:00– 5:45	Petroleum Industry	Terrace Room
6:00– 7:15	Reception, Dean Witter & Co.	Venetian Room
7:30–10:00	Annual Dinner	Gold Room

TUESDAY, MAY 6

9:00–10:30	Metals and Minerals	Terrace Room
10:45–12:15	Banking	Terrace Room
	Insurance Industry	Nob Hill Room
12:30– 2:15	Stock Market Luncheon	Gold Room
2:30– 3:50	Chemicals	Terrace Room
4:00– 5:45	Electronics and Television	Terrace Room
6:00– 7:30	Reception at San Francisco Stock Exchange	

Chemicals

Jeremy C. Jenks . . . . *Chairman*
Cyrus J. Lawrence & Sons

Paul L. Davies . . . . . *Chemical Growth in the West*
President, Food Machinery & Chemical Corp.

John D. Fennebresque . . . *The Rise of Petrochemistry*
Vice-President, Chemical Operations,
Celanese Corp. of America

Bruce R. Carlson . . . . *The Analyst Viewpoint*
Stein, Roe & Farnham

Electronics and Television

Walter Podolak . . . . *Chairman*
Stern, Frank, Meyer & Fox

Dr. Simon Ramo . . . . *Electronics in the Air*
Vice-President, Hughes Aircraft Co.

Speaker to be announced . . . *The Outlook for Television*

Harrison Johnston . . . . *Electric Tape at Work*
Senior Engineer, Ampex Electric Corp.

Walter K. Gutman . . . . *Analyst Summary*
Goodbody & Co.

Speakers for Closing Dinner

Friday, May 9, from 7:30 to 10:30
Ambassador Hotel, Los Angeles

Y. Frank Freeman
Vice-President, Paramount Pictures Corp.
Chairman of Board, Motion Picture Producers Association

Harry W. Strangman
Treasurer, Douglas Aircraft Co.

Recent Books, Documents, and Magazine Articles of Financial Interest

Monetary & Fiscal Subjects

Capital Formation in the Petroleum Industry, Chase National Bank, New York.

Annual Report for 1951, Federal Reserve Bank of New York.

Congress and the Budget, *Guaranty Survey* (Guaranty Trust Co., New York), Mar 1952.

Preferred Capital for Banks, M. A. Schapiro & Co.

Population Movements and Investments, *Journal of Finance,* Mar 19, 1952.

Investor Guideposts in Comparing Income Statements, *Journal of Finance,* Mar 1952.

Statistics of Land-Grant Colleges and Universities, Year Ending 1950, catalog no. FS 5.3:951/4, Govt Printing Office, Washington, D. C.

Stock Options and Stock Purchase Plans, Salary Stabilization Plans, catalog no. ES 4.2:St 6, Govt Printing Office, Washington, D. C., Oct 1951, 20 cents.

Managers of the Dollar, *Fortune,* Feb 1952.

Bank Liquidity and Markets, *Banker,* Jan 1952.

Company Giving through Foundations, *Conference Board Business Management Record,* Jan 1952.

Digest of Opinions: National Voluntary Credit Restraint, bulletin 34:341-6, Robert Morris Associates.

Current Financial Trends of Agriculture, bulletin 73, Dept of Agriculture.

Dollar Exports in the Marshall Plan Period, *International Affairs,* Jan 1952.

Charge Accounts, *Credit World,* Jan 1952.

Corporate Financing in Great Britain, *Law & Contemporary Problems,* winter 1952.

Federal Debt Management and the Institutional Investor, *Law & Contemporary Problems,* winter 1952.

Gold in Soviet Economic Theory and Policies, *American Economic Review,* Dec 1951.

Some Applications of Statistics for Auditing, *Journal American Statistical Association,* Mar 1952.

Trends in Business and Finance, *Financial Management,* Apr 1952.

Factors Affecting the Demand for Consumer Installment Sales Credit, National Bureau of Economic Research.

The Concept of National Income, Dun & Bradstreet.

Economic & Miscellaneous

How Critical 1952?, *Conference Board Business Record,* Jan. 1952.

"Don't Fence Us In," R. H. Macy & Co.

Automobile Facts and Figures, Automobile Manufacturers Association, 1951.

What Price Controls?, U. S. Steel Corp., Feb 1952.

Communism: Where Do We Stand Today?, U. S. Chamber of Commerce, Washington, D. C., 1952.

Atomic Energy and Peace, *Think,* Mar 1952.

How Old Are Californians?, *Tax Digest,* Jan 1952.

Capital in Undeveloped Countries and the Co-operative Role, *Review of International Co-operatives.*

Consumer's Price Index, U. S. 82 Congr, 1 sess, subcommittee report no. 2, Supt of Documents, Washington, D. C.

Is the Next Depression Near?, *U. S. News,* Mar 7, 1952.

Wages Policy in Great Britain, *Lloyds Bank Review,* Jan 1952.

Is Housing Inflationary?, *Architectural Forum,* Jan 1952.

Review of the Year, *Spectator,* Jan 1952.

Cost and Coverage of Industrial Life Insurance, *Yale Law Journal,* Jan 1952.

Employment and Retirement, Harvard University Graduate School of Business Administration, $1.

Inflation Still a Danger, catalog no. 128.3: 485/Pt 2, Govt Printing Office, Washington, D. C.

Executive Training in Department Stores, *Journal of Marketing,* Jan 1952.

A Look at Military Housing, *Real Estate and Building Journal,* Jan 1952.

A Spokesman for Small Business, *Dun's Review,* Mar 1952.

National Product in 1951, *Guaranty Survey,* Mar 1952.

Industrial

Coal Shortages in Australia, *Regional Development Journal,* May 1951.

Canadian Motion Picture Industry, 1951 *Yearbook,* Film Production of Canada, 175 Bloor St., Toronto 5, Ont.

Capital Expenditure by Manufacturing Industry in Great Britain, *Building Trade Journal,* Jan 1952.

Chemical Age Year Book, 1952, Benn Brothers.

Cigarette Industry Gain, *Printers Ink,* Jan 1952.

Oregon Public Utilities Statistical Report 1949-50, statistical series 1-50, Oregon Electric Utilities, Salem.

A Bibliography of the Gas Industry, *Gas Year Book,* Benn Brothers.

A Research Study of Management and Policies of 31 Industrial Corporations, Graduate School of Business, Stanford, Calif., $5.

The Shanghai Market under Hyperinflation, *Current Economic Comment,* Nov 1951.

Leather and Shoe Financial Statements, 1951, Weekly Bulletin Leather Shoe News Co., $2.50.

Not Enough Cars for 1952, *U. S. News,* Jan 25, 1952.

Oil Rankings, 1941-50, *Forbes,* Jan 19, 1952.

Our Financial Health at the Outset of Four Wars, *Current Economic Comment,* Feb 1952.

Cigarette Sales Hit 419 Billion, *Advertising Agency,* Jan 1952.

Cotton Production in Pakistan and Egypt, *Egyptian Cotton Gazette,* Sept 1951.

Housing Research (a new quarterly), Supt of Documents, Govt Printing Office, Washington. D. C.

Motive Power Orders in 1951, *Railway Age,* Jan 14, 1951.

1951: a Year of Stepped-up Vehicle Production, *Bus Transportation,* Jan 1951.

Calendar of Labor and Wage Events, 1951, *Railway Age,* Jan 14, 1951.

Wool Prices Boost New Fiber Demand, *Rayon & Synthetic Textiles,* Jan 1952.

Chains' 1951 Modernization Cost $798,000,000, *Chain Store Age,* Jan 1952.

Restrictions on Rural Electrification Cooperatives, *Yale Law Review,* Dec 1951.

Civilian Consumption of Wheat Flour, *Northwestern Miller,* Dec 25, 1951.

Taxes

Sixteen Cents from Governments, *Tax Outlook,* Dec 16, 1951.

Taxable Valuations in California, *Tax Digest,* Jan 1952.

Federal Tax Collections in State, *Tax Digest,* Jan 1952.

The Watchdog Can Only Growl, *Tax Outlook,* Dec 1951.

State and Local Highway Finance, *Tax Digest,* 1951.

Proceedings of the Fourth Annual Tax Conference, Canadian Tax Foundation, Toronto, Ont.

1951 Financial High Lights of the

FERRO CORPORATION

Manufacturers of porcelain enamels, glazes, color oxides, plastic colorants and stabilizers, purified clays, chemicals, special refractories, electrical heating elements, switches and controls; Ferro also engineers complete plant equipment for the porcelain enameling, paint finishing, and ceramic industries.

1951 was the most exciting and productive period in Ferro's history. We reached all-time highs in sales ($39,263,011) and earnings before taxes ($4,248,590), and our intelligent diversification in promising new fields was greatly enlarged.

Our dollar income from foreign subsidiaries in 1951 again broke previous records for a total of $584,138 received from dividends, royalties and engineering fees, as compared with the previous record of $440,028. During the year, our factory in Mexico was completed and has operated profitably from almost the first month. Our Japanese associates will be in production in the current year.

For the long pull we have projections indicating a tremendous growth in the home appliance field and are optimistic about continued growth in the use of our products in that field. We are also very optimistic about our diversification in new fields.

In 1951 Ferro purchased 20% interest in the Horizons Titanium Corporation, of Princeton, N. J., organized to produce TITANIUM by an entirely new process, at substantially lower costs. A pilot plant has been constructed in Cleveland and development work is underway.

Within the past few weeks, Ferro acquired another wholly-owned subsidiary in the Wel-Met Co., of Kent, Ohio and Salem, Ind. This action followed a previous purchase of 50% interest in the fast-growing company which manufactures POWDERED METAL MACHINE PARTS so exact that finishing and machining operations are largely eliminated.

A new Ferro plant for production of FIBER GLASS is underway in Nashville, Tenn. Another small factory is being constructed for product development and customer service in FIBER GLASS-REINFORCED PLASTIC ITEMS. These two Divisions represent a million-dollar investment and expansion is planned immediately after present production targets have been reached.

Ferro now has exclusive license to manufacture and sell a special HIGH TEMPERATURE RESISTANT PORCELAIN ENAMEL, currently used to protect "hot parts" on jet engines. The coating was developed by Solar Aircraft Corp. of San Diego, Calif., and research facilities of both companies are at work adapting the coating to civilian use.

Development work continues on the Ferro-Republic Steel enameling process and with Ferro Agricultural Frit, a fertilizer additive which supplies trace elements to farm plants.

To us, all these ventures have real promise for the future.

R. A. WEAVER,
Chairman of the Board

C. D. CLAWSON,
President

*CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1951

ASSETS

Cash and Government Securities	$ 4,897,913
Notes & Acc. Rec.	5,126,625
Inventories	10,988,764
Prepaid Expenses	395,040
Current Assets	$21,408,342
Other Assets, including investments, property, etc.	9,340,965
	$30,749,307

LIABILITIES

Current Liabilities	$10,256,762
Long Term Liabilities, due after 1952	5,418,816
Other Liabilities & Reserves	112,123
Shareholders' Equity	14,961,606
	$30,749,307

*Annual Report available on request

FERRO

FERRO CORPORATION

4150 East 56th Street
Cleveland 5, Ohio

The best-known name in glass . . .
means more than glass!

SUCCESSFUL MANAGEMENT of a business demands not only an ability to solve problems, but an instinct to anticipate problems before they arise.

In 1896, with the country's economy expanding and the demand for plate glass increasing, the Pittsburgh Plate Glass Company recognized that there would soon be a need for a more efficient system of distribution.

At best, the company's distributors could carry very limited supplies, and small, frequent shipments were necessary to maintain stocks. Improvement of this situation would permit lower prices and put the company in a better position to meet the expected increase in the demand for its products.

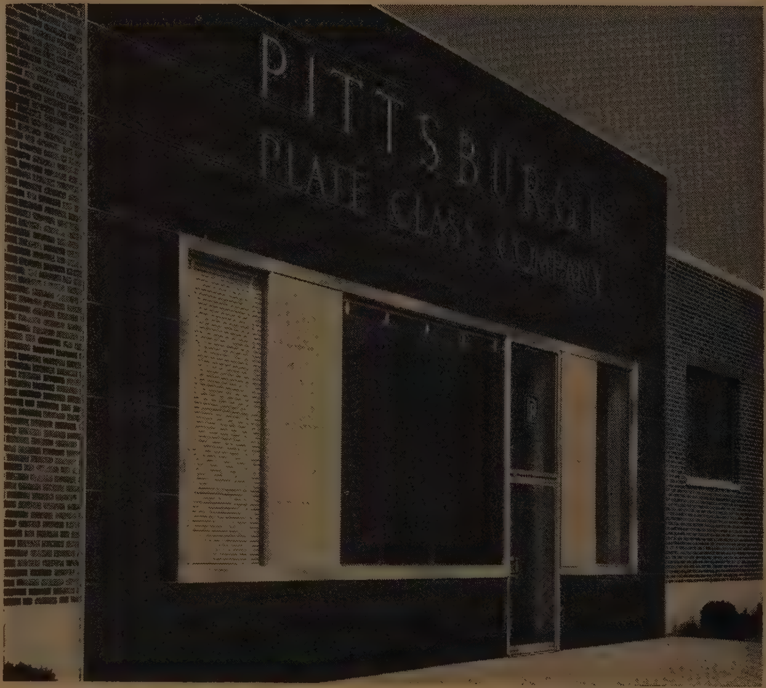
A study of distributors' and consumers' needs was made and from it there came a plan for advantageously located warehouses. After a brief tryout, the plan was adopted and for the first time it was possible to get plate glass into the hands of distributors and consumers at a very reasonable cost.

Today, the Merchandising Division of Pittsburgh Plate Glass operates 193 warehouses, service centers and stores. Mirror making, glass cutting and other processing operations are also carried out in the warehouses. These supply depots serve thousands of Pittsburgh Plate dealers all over the country.

You can see, the best-known name in glass also stands for . . . Modern Merchandising!

Send for our FREE illustrated folder

It explains our history and development and presents a panoramic conception of our operations and affiliations. Write to Pittsburgh Plate Glass Company, Dept. FA-101, 632 Duquesne Way, Pittsburgh 22, Pennsylvania.



MERCHANDISING DIVISION—193 stores and warehouses located advantageously throughout the nation.

COLUMBIA-SOUTHERN CHEMICAL CORPORATION, A WHOLLY OWNED SUBSIDIARY—Five chemical plants and one coal mine.

PAINT DIVISION — Fifteen plants. Paints, varnishes and special automotive and industrial finishes are major products. Others are plastics, paint oils, industrial coatings and insecticides.

GLASS DIVISION—Composed of Four Plate Glass Plants, Three Window Glass Plants, a Fiber Glass Plant, a Twindow Fabricating Plant and a Pittco Metal Plant.

BRUSH DIVISION — Four plants producing paint, varnish and motor-driven industrial brushes, brush handles and synthetic bristles.

PAINTS · GLASS · CHEMICALS · BRUSHES · PLASTICS

PITTSBURGH PLATE GLASS COMPANY

Fourth Midwest Forum

National Federation of Financial Analysts Societies

THE FOURTH MIDWEST FORUM of the National Federation of Financial Analysts Societies took place January 30, 1952, in the LaSalle Hotel, Chicago, under the auspices of the Investment Analysts Club of Chicago. Four forum sessions and a dinner meeting were the features of interest. Two of the addresses presented at the forum sessions are printed elsewhere in this issue.

The program was as follows:

SYNTHETIC FIBERS FORUM

Chairman: Arthur Rosenbaum
Speaker: Joseph R. Bentert, textile engineer, Sears, Roebuck & Company
Subject: New Developments in Synthetic Fibers

NEW METALS FORUM

Chairman: Carl J. Easterberg
Speaker: Dr. R. S. Dean, consulting metallurgist
Subject: The New Metals, Their Present Uses and Potentials

MEAT PACKING FORUM

Chairman: J. Parker Hall
Speaker: George M. Lewis, vice-president, American Meat Institute
Subject: Meat and Livestock Outlook for 1952

ELECTRONICS FORUM

Chairman: William C. Norby
Speaker: Paul V. Galvin, president, Motorola, Inc.
Subject: New Developments in Electronics

DINNER MEETING

Chairman: John C. Ratcliffe
Speaker: Gordon Buck, Foote, Cone & Belding
Subject: Fitting Advertising into a Business Appraisal

Committees in charge of the forum were:

Program: Philip C. Biggert, *chairman;* Corliss D. Anderson, Earl Kribben, M. Dutton Morehouse, Arthur J. O'Hara, Frederick Roe, and Edward P. Rubin.

Arrangements: Russell J. Eddy, *chairman;* Vernon D. Ogren, Philip L. Coleman.

Security Analysts of San Francisco

ALTHOUGH THE OFFICERS and special committee members are working nights and Sundays to bring the plans for the Fifth Annual Convention to final perfection, our normal activities continue. Well-laid plans have permitted a full schedule of meetings right up to the time of the Convention. Since the first of the year, we have held ten meetings. These have included two courtesy meetings at which we have been guests of Southwestern Public Service Company and Celanese Corporation of America, three general luncheon meetings, and five forum luncheon meetings. Speakers at the first nine meetings for 1952 were:

H. L. Nichols, chairman, Southwestern Public Service Company.
T. E. Roach, president, Idaho Power Company.
G. W. Pepper, vice-president, Scott Paper Company.
Frank Stanton, president, Columbia Broadcasting Company.
Harold Blancke, president, Celanese Corporation of America.
J. F. Oates, chairman, Peoples' Gas, Light & Coke Company.
Kenneth A. Spencer, president, Spencer Chemical Company.
H. W. Morrison, president and chairman, Morrison Knudson Company.
E. F. Euphrat, president, Pacific Can Company.

The tenth meeting was unusual. Five public utility companies operating in the Pacific Northwest participated in an all-afternoon meeting consisting of five seminars following a general luncheon. Separate seminar rooms were provided for five separate simultaneous meetings, and the speakers moved from one audience group to another as the afternoon progressed. Participation outside of our regular membership was invited as a public information and education service. The attendance was of record proportions. The participating company executives and our members and guests agreed that the meeting successfully accomplished its purpose of bringing top management into close contact with a representative group of investors and advisers for their mutual benefit. Principal speakers at this meeting were:

A. S. Cummins, president, California Oregon Power Company.
A. W. Trimble, president, Mountain States Power Company.
Paul B. McKee, president, Pacific Power & Light Company.
Thomas W. Delzell, chairman, Portland General Electric Company.
Kinsey M. Robinson, president, Washington Water Power Company.

Other executives of several of these companies also participated in the meeting.

The program of our Society during the second half of 1951 continued the policy of broad coverage of western and national companies undertaken by our program committee and previously reported in the JOURNAL. Seventeen more luncheon meetings were held, mainly at the world-famous St. Francis Hotel. A fitting close to the year's activities was the cocktail party held in the Redwood Room of the Bohemian Club. Our luncheon guest speakers were:

Carl Gerstacker, treasurer, Dow Chemical Company.
Louis Ware, president, International Minerals & Chemical Corporation.
R. C. Ingersoll, president, Borg Warner Corporation.
A. King McCord, president, Oliver Corporation.
James H. Campbell, vice-president, and John W. Kluberg, controller, Consumers Power Company.
J. H. Horton, executive vice-president, and R. N. Dreiman, vice-president and treasurer, Pacific Public Service Company.
G. M. Gadsby, president, Utah Power & Light Company.
C. R. Smith, president, American Airlines.
Malcolm A. Mackay, executive vice-president, Northwest Airlines.
Harold W. Sanders, Pacific Airmotive Corporation, and treasurer, Union Oil Company.
A. C. Mattei, president, Honolulu Oil Corporation.
H. P. Faye, president, American Factors, Ltd.
R. H. Hargrove, president, Texas Eastern Transmission Corporation.
Pierre R. Bretey, rail analyst, Baker, Weeks & Harden, and President, National Federation of Financial Analysts Societies.

At two closed meetings, restricted to members, we had Lee Schaenen of H. C. Wainwright & Company and Joseph

(*Concluded on next page*)

Admissions to NYSSA Membership

January 26 to March 19, 1952

AHEARN, William John, Bank of N. Y. & 5th Ave., 48 Wall St., New York

BARRETT, Edward B., Laurence M. Marks & Co., 49 Wall St., New York

BERLINER, Alexander L., Arnold Bernhard & Co., 5 E. 44 St., New York

BORSOS, Louis L., L. F. Rothschild & Co., 120 Broadway, New York

BOWDISH, Wellesley W., City Bank Farmers Trust Co., 22 William St., New York

BROWN, Fred E., Tri-Continental Corp., 65 Broadway, New York

BRUBAKER, Max F., Merrill Lynch, Pierce, Fenner & Beane, 70 Pine St., New York

BYSSHE, Arthur E., Fitzgerald & Co., 40 Wall St., New York

CARRINGTON, Stanley A., Bank of Manhattan Co., 40 Wall St., New York

CHILD, Richard W., Chase National Bank, 11 Broad St., New York

CLOSE, James A., James A. Close, investment adviser, 422 Vincent St., Syracuse

van DEVENTER, John F., F. Eberstadt & Co., 39 Broadway, New York

EDGAR, George P., Carl M. Loeb, Rhoades & Co., 42 Wall St., New York

FABIAN, Gabriel L., Laurence M. Marks & Co., 49 Wall St., New York

FARNHAM, Virginia, J. Henry Schroder Banking Corp., 57 Broadway, New York

FOOT, Albert W., Fidelity Union Trust Co., 755 Broad St., Newark, N. J.

FRANK, Everett, Everett Frank, 120 Broadway, New York

GILHAM, Willett Henry, Parrish & Co., 40 Wall St., New York

HILL, Homer B., Edward Lowber Stokes Co., 60 Wall St., New York

LAMON, Russell, Provident Trust Co., 17th & Chestnut Sts., Philadelphia

LITTS, Raymond N., Investors Diversified Services, 212 Baker Bldg., Minneapolis

MEYERS, Robert M., Management Planning of Washington, Inc., 192 Nassau St., Princeton, N. J.

MICHON, Edward J., J. Henry Schroder Banking Corp., 57 Broadway, New York

PARLIMENT, George W., West Penn Electric Co., 50 Broad St., New York

PORTER, Frank B., Royal-Liverpool Insurance Group, 150 William St., New York

ROBERTS, Irene J., Blyth & Co., 14 Wall St., New York

RUSLING, Lee J., Howe and Rusling, 183 Main St. E., Rochester

SHERIDAN, James, Allied Chemical & Dye Corp., 61 Broadway, New York

SJOSTROM, Robert A., Chase National Bank, 11 Broad St., New York

STEVENS, John W., City Bank Farmers Trust Co., 22 William St., New York

TREW, Bartus, H. C. Keister & Co., 72 Wall St., New York

de VEGH, Imrie, Pell, de Vegh & Co., 1 Wall St., New York

VOGEL, Paul Andrew, General Chemical Division, 40 Rector St., New York

WALKER, Charles W., John K. Walker & Co., 1045 Ellicott Sq., Buffalo

WOOD, Malcolm J., Sterling Grace & Co., 50 Broad St., New York

---

Livingston, financial editor of the *Philadelphia Bulletin*, as our guests.

Officers elected for the year 1952 are:

President: William P. Held.
Vice-president: John G. Eidell.
Secretary-treasurer: Herbert B. Drake.

The annual report of the Society which was published in February contains a full account of the activities for the year 1951, an up-to-date roster of the membership, and the names of the members of the Board of Governors and the several standing committees. Anyone desiring a copy may obtain it by writing to me.

Plans for the 1952 Annual Convention are well advanced and have been reported elsewhere in the JOURNAL. Various phases of the planning are in the hands of committees, the chairmen of which are:

Richard W. Lambourne, *General Chairman.*
Philip J. Fitzgerald, *Program.*
John R. Beckett, *Field Trips.*
John G. Eidell, *Registrations.*
William P. Held, *Arrangements.*
J. C. Schick, *Publicity.*
Paul B. Kelly, *Finance.*

San Francisco is host to many conventions each year. We are justly proud of our reputation as a host—"The City That Knows How." Your visit to San Francisco will be memorable. From the old Ferry Building with its block-long relief map of California to the Twin Peaks, and from Fisherman's Wharf, with its sidewalk crab kettles, to the Mission Dolores, you will see sights you have heard about from travelers. If you plan your return trip home via Los Angeles you will be entertained by our co-hosts who have plans to take you to Hollywood movie studios and to aircraft plants, and to wine and dine you at a cocktail party and banquet.

The 1952 convention is a "must." We look forward to seeing you in San Francisco in May.

HERBERT B. DRAKE
Secretary-Treasurer

From our 1951 Annual Report...

Highlights

	1951	1950
Operating Revenues	$149,337,054	$135,536,777
Operating Expenses	$111,211,467	$ 98,822,143
Operating Ratio (Expenses to Revenues)	74.47%	72.91%
Taxes	$ 16,714,694	$ 16,782,998
Income Available for Fixed Charges	$ 20,052,275	$ 18,469,252
Fixed Charges	$ 2,177,879	$ 2,326,343
Times Fixed Charges Earned	9.21	7.94
Other Deductions (Contingent Interest)	$ 1,883,682	$ 1,967,760
Net Income after Fixed Charges and Other Deductions	$ 15,990,714	$ 14,175,149
Income Applied to Capital and Sinking Funds	$ 3,634,062	$ 2,967,242
Balance of Income Transferred to Earned Surplus	$ 12,356,652	$ 11,207,907
Earnings Per Share of Common Stock:		
Before Capital and Sinking Funds	$ 17.93*	$ 15.79
After Capital and Sinking Funds	$ 13.65*	$ 12.30
Dividends Per Share Paid:		
Preferred Stock	$ 5.00	$ 5.00
Common Stock	$ 4.25	$ 3.00
Additional Sinking Fund (for Mortgage Debt Retirement) per Share Payable in Amount Equal to Excess of Dividends on 850,000 Shares of Common Stock above $2.00 per Share	$ 2.25	$ 1.00
Tons of Revenue Freight Hauled	43,050,437	39,723,495
Revenue Ton Miles	9,140,306,510	8,262,712,964
Average Revenue Per Ton Mile	$ .0135	$ .0133
Passengers Carried	1,465,186	1,423,636
Passengers Carried One Mile	568,031,352	573,679,881
Revenue Per Passenger Mile	$ .0257	$ .0245
Preferred Stockholders	2,454	2,573
Common Stockholders	4,205	4,260
Average Number of Employees	17,811	17,400**
Total All Wages	$ 72,645,335	$ 63,679,362
Miles of Road Operated at End of Year	4,145	4,146

*Taking accelerated amortization on emergency projects covered by Section 124A Certificates as deductions for Federal Income tax purposes reduced 1951 Federal Income taxes by approximately $1,885,000, equivalent to $2.22 of the $17.93 and $13.65, respectively, per share of Common Stock.

**Revised regulations of the Interstate Commerce Commission, effective January 1, 1951, changed the method of counting employees. For comparative purposes, the 1950 figure has been restated here, on an estimated basis, to conform to the 1951 method.

The 1951 Report has been distributed to Seaboard's stockholders and securityholders. A copy may be obtained by writing to:

W. F. CUMMINGS, Secretary
Seaboard Air Line Railroad Company
Norfolk 10, Va.

SEABOARD AIR LINE RAILROAD COMPANY

Rockwell Report

by W. F. ROCKWELL, JR.
President
Rockwell Manufacturing Company

WHEN WE HEAR THE ORATORY that breaks out in Washington from time to time concerning decreasing competition, we wonder what industries they're talking about. Certainly our experience is to the contrary.

Take our valve business, for instance. When our Nordstrom valves were first introduced some 25 years ago, perhaps a dozen manufacturers got all the business in the petroleum and gas industries. Today, even in a so-called sellers' market, there are often fifty valve makers competing for every major order, and month after month, in sales call reports, we see the names of new manufacturers we have never heard of before, getting business.

It's equally true in the machine tool field, where our Delta Power Tool Division pioneered the manufacture of light, high-precision tools for industry and home workshop use. Once Delta stood almost alone, but as soon as it was demonstrated that there were sales to be made—that there was a growing market—competition blossomed.

The point is, so far as we are concerned, since most of our products are sold in expanding markets we find constantly growing competition. Probably we've benefited from it, because in our company's history, we've never seen the time that business was so good that the customer could be taken for granted, or that we could cut back on product improvement research. Competition has kept us young, and as long as we choose to operate in industrial markets where the opportunity to make sales is reasonably constant, it undoubtedly always will.

* * *

Among the growing uses for Liquefied Petroleum Gas is for powering buses. San Antonio Transit Company is typical of a transportation system that is finding fuel economies in LP-gas. It is typical, too, that the San Antonio company's fueling system is controlled by Rockwell-built Nordstrom valves.

* * *

Quick case histories of production savings through use of Rockwell-built Delta power tools: Four-Wheel Drive Auto Company in Wisconsin uses a Delta abrasive cut-off machine for cutting metal moulding for truck cabs and gets ten times faster production than previous methods . . . Reed-Prentice Corp., Worcester, Mass., uses a single Delta 17-inch drill press to machine 57 different parts . . . Kirkhof Electric Co., Grand Rapids, Mich., put a Delta 17-inch drill press on an overhead crane and now drills holes in any location on 36 x 96 inch switchboard panels without moving them . . . National Scientific Products Co., Chicago, cuts wafer-thin quartz crystal for communication instruments on Delta 14-inch drill presses fitted with abrasive wheels.

* * *

Rockwell Manufacturing Company had its biggest year of shipments in 1951. Total shipments were in excess of $99,000,000, compared with the previous high of $71,556,000 in 1950. The 1951 backlog exceeded $23,000,000 as against $22,000,000 in 1950. However, this year's figures do not include defense contracts which amount to several million dollars. From late 1944 Rockwell has expanded from four manufacturing plants to seventeen.

One of a series of informal reports on the operations and growth of the
ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.
for its customers, suppliers, employees, stockholders and other friend

SOUTHERN NATURAL GAS COMPANY
Birmingham, Alabama

Common Stock Dividend No. 53

A dividend of 62½ cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 13, 1952 to stockholders of record at the close of business on June 2, 1952.

H. D. McHENRY,
Secretary.

Dated: April 17, 1952.

* * *

MINNEAPOLIS GAS COMPANY
739 Marquette Avenue
Minneapolis 2, Minnesota

Common Stock Dividend

The Board of Directors of Minneapolis Gas Company, at a meeting held on April 10, 1952, declared a dividend of 27½ cents per share payable in cash on May 10, 1952, to common stockholders of record at the close of business April 25, 1952.

H. K. WRENCH, *President*

* * *

CREPED PAPERS • GIFT WRAPPINGS
MARKING DEVICES • GUMMED PAPERS
TAGS • SEALS • LABELS
JEWELRY BOXES • COMMERCIAL BOXES

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid June 3, 1952, to stockholders of record May 12, 1952.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid June 3, 1952, to stockholders of record May 12, 1952.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.
Framingham
Mass.

108th year

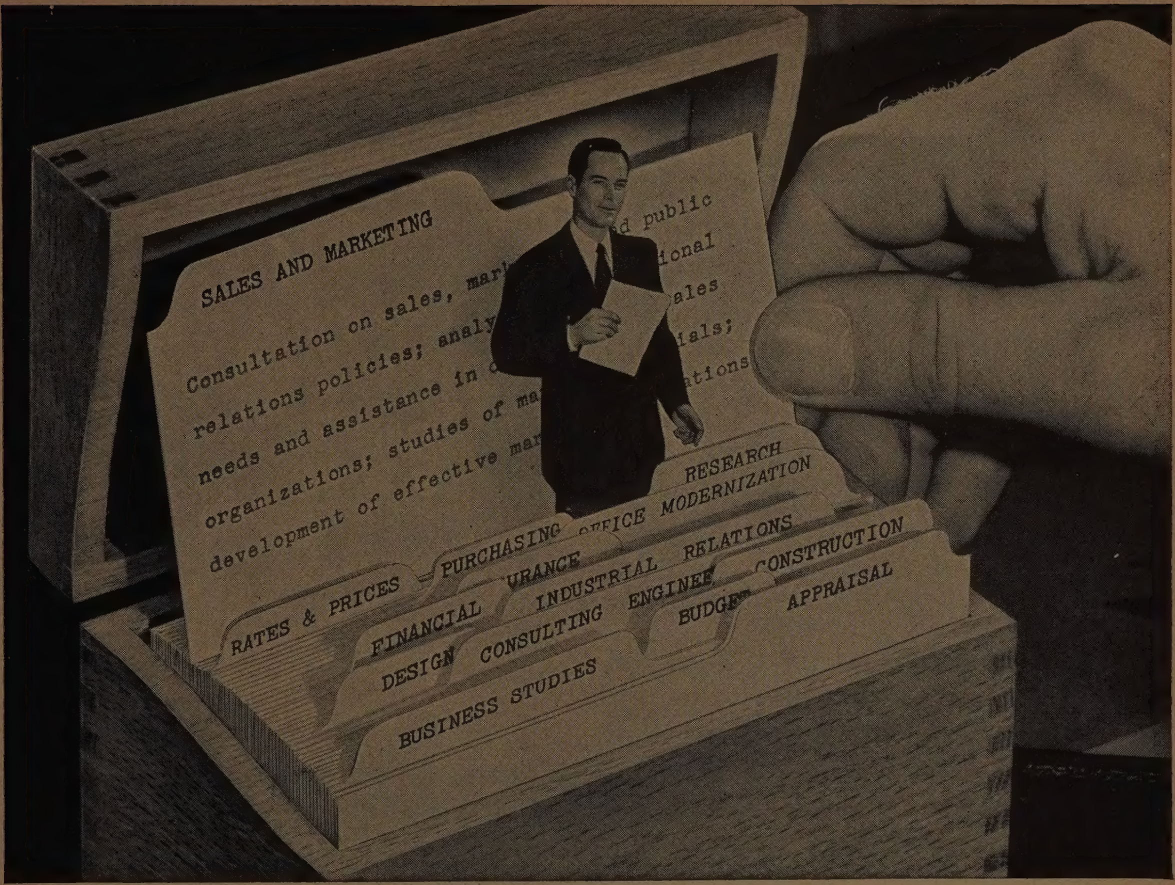
Luncheon Forum Talks

NEW YORK SOCIETY OF SECURITY ANALYSTS

SINCE DECEMBER 20, 1952

Date	*Speaker*	*Topic*
Jan 2	Harlan C. Forbes Executive vice-president of company	Consolidated Edison Co. of N. Y.
Jan 3	Lawrence Ottinger President of corporation	United States Plywood Corp.
Jan 7	E. F. Uhrbrocke, Jr., *Moderator* *Speakers:* P. R. Bretey W. H. Fincke W. F. Hahn W. W. Reuss	Railroad Outlook for 1952
Jan 9	F. R. Gamble Treasurer of company	Montana-Dakota Utilities Co.
Jan 11	Frank Piasecki Chairman of board C. Hart Miller President of corporation	Piasecki Helicopter Corp.
Jan 15	O. Parker McComas President of company	Philip Morris & Co., Ltd.
Jan 17	Charles A. Higgins Chairman & president of company	Hercules Powder Co.
Jan 18	Saul A. Smerling Railroad editor	Standard & Poor's Corp.
Jan 21	Robert S. Byfield NYSE observer at Paris meeting of U. N.	A Security Analyst Looks at Soviet Propaganda
Jan 22	Woodlief Thomas Economic adviser, Board of Governors, Federal Reserve System	Money Trends
Jan 23	Frank J. Gannon President of company	Tampa Electric Co.
Jan 24	L. M. Williams, Jr. President of company	Freeport Sulphur Co.
Jan 25	Jules I. Bogen Professor of finance, NYU	The Short-Term and Longer-Term Outlook for Railroad Securities
Jan 28	Watson Newhall Executive vice-president & general manager, Reaction Motors, Inc.	Rocket Propulsion and Reaction Motors
Jan 29	Howard S. Bunn Vice-president, Bakelite Corp. & Carbide & Carbon Chemicals Co.	Prospects for Plastics
Jan 30	R. Roy Dunn President of company	Potomac Electric Power Co.
Jan 31	E. H. Bobst President of company	Warner-Hudnut, Inc.
Feb 1	D. H. F. Black Director Industrial Development, Saskatchewan	Saskatchewan, America's Last Economic Frontier
Feb 4	Rudolph Halley President, City Council, NYC	Observations on Three Months in Office
Feb 5	Cloud Wampler President of corporation	Carrier Corp.
Feb 6	Louis V. Sutton President of company	Carolina Power & Light Co.
Feb 7	Carl O. Nickle Editor, *Daily Oil Bulletin*	Oil In Canada
Feb 8	Arnold Hoffman Mining geologist	The Future of Taconite Ore

Date	*Speaker*	*Topic*
Feb 11	Fischer Black Editor, *Electrical World*	Review of Electrical Utility Industry
Feb 13	D. S. Kennedy President of company	Oklahoma Gas & Electric Co.
Feb 14	Glen B. Miller Vice-president & comptroller	Allied Chemical & Dye Corp.
Feb 15	Dwight P. Joyce President of company	Glidden Co.
Feb 18	A. W. Trimble President of company	Mountain States Power Co.
Feb 20	W. A. Patterson President of air line	United Air Lines
Feb 21	Sam Laud Pesident of corporation	General American Transportation Corp.
Feb 25	Harold H. Helm President, Chemical Bank & Trust Co.	Current Aspects of Commercial Banking
Feb 26	C. B. Randall President of company	Inland Steel Co.
Feb 27	Thomas E. Roach President of company	Idaho Power Co.
Feb 28	R. G. Dunlap President, Sun Oil Co.	Petroleum's Main Spring
Mar 3	Dr. Marcus Nadler Professor of finance, NYU; economic consultant	Trends in the Security Market
Mar 4	Clarence Francis Chairman of board	General Foods Corp.
Mar 6	*Panel Speakers;* F. W. LaFarge, Clark Dodge & Co. S. B. Lurie, Paine, Webber, Jackson & Curtis Ragner Naess, Thomas & Theilbar	Outlook for the Stock Market
Mar 7	John B. Hyde Vice-president of company	Southern Railway Co.
Mar 11	Carl B. Black Vice-president, Standard Steel Spring	Outlook for the Automobile Industry
Mar 12	Claude A. Williams President of corporation	Transcontinental Gas Pipe Line Corp.
Mar 13	A. W. Peake President of company	Standard Oil Co. of Indiana
Mar 19	Paul Clay Economist	The Election and the Markets
Mar 21	Walter J. Tuohy President of company	The Chesapeake & Ohio Railway Co. Today and Tomorrow
Mar 24	Walter Gutman	Standards Committee Luncheon
Mar 25	K. S. Adams Chairman of board & chief executive officer	Phillips Petroleum Co.
Mar 26	D. E. Ackers President of company	Kansas Power & Light Co.
Mar 28	F. C. Dumaine, Jr. President of company	New York, New Haven & Hartford R.R. Co.



we keep help on tap for top management...

At your fingertips, through Ebasco, is the specialized help of engineers, constructors and business consultants. In a single organization Ebasco combines top-flight talent with experience that penetrates virtually every type of business and industry.

Ebasco is flexible. It can concentrate on a specific, immediate problem . . . or on a whole broad range of operations. It includes the functions of engineers, designers, financial consultants, sales and marketing specialists, cost analysts—whatever specialized skills the problem calls for.

Ebasco men have designed and constructed over one billion dollars worth of new plants. They have built pipelines; made business studies upon which bankers and other executives have based important decisions; helped solve production problems; assisted in developing industrial relations programs. For nearly fifty years, Ebasco has served business and industry in all parts of the world.

To find out how Ebasco can serve you, send for your free copy of "The Inside Story of Outside Help," Address: Ebasco Services Incorporated, Dept. U, Two Rector Street, New York 6, N. Y.

ENGINEERS · CONSTRUCTORS · EBASCO · BUSINESS CONSULTANTS

Appraisal
Budget
Business Studies
Consulting Engineering
Design & Construction
Financial
Industrial Relations
Inspection & Expediting
Insurance, Pensions
  & Safety
Office Modernization
Purchasing
Rates & Pricing
Research
Sales & Marketing
Systems & Methods
Taxes
Traffic
Washington Office

EBASCO TEAMWORK GETS THINGS DONE ANYWHERE IN THE WORLD **EBASCO SERVICES**
INCORPORATED
NEW YORK • CHICAGO • WASHINGTON, D. C.

Index to Advertisers

Air Reduction Co., Inc. 30
Aluminum Ltd. 3
American Bosch Corp. 77
American Encaustic Tiling Co., Inc. 27
American Marietta Co. 66, 78
American Telephone & Telegraph Co. 8
American Viscose Corp. 52
Anaconda Copper Mining Co. 96
Analysts Journal 22
Armco Steel Corp. 22
Baltimore & Ohio R. R. Co. 66
Beneficial Loan Corp. 107
Boston Edison Co. 44
Bridgeport Brass Co. 53
Brooklyn Union Gas Co. 62
Canadair Ltd. 48
Celanese Corp. of America 1
Celotex Corp. 112
Chesapeake & Ohio Railway 28
Chicago & Southern Air Lines, Inc. 38
Citizens Utilities Co. 101
Columbia Gas System, Inc. 111
Commercial Credit Co. 14
Commercial Solvents Corp. 58
Consolidated Natural Gas Co. 60
Crown Cork & Seal Co., Ltd. 23
Daystrom, Inc. 60
Dennison Manufacturing Co. 124
Detroit Edison Co. 111
Drewry's Ltd., USA, Inc. 84
Ebasco Services, Inc. 127
Ferro Corp. 119
Gartley & Associates, Inc. 37
General Time Corp. 54
Goodyear Tire & Rubber Co. 22
Gulf Oil Corp. 2d cover
Home Insurance Co. 13
International Business Machines Corp. 3d cover
Lion Oil Co. 57
Mathieson Chemical Corp. 61
Minneapolis Gas Co. 124
Pacific Gas & Electric Co. 106
Pacific Lighting Corp. 113
Pfeiffer Brewing Co. 72
Pittsburgh Plate Glass Co. 120
Pure Oil Co. 91
Richfield Oil Corp. 71
Rockwell Manufacturing Co. 124
Safeway Stores, Inc. 52, 67
St. Regis Paper Co. 52
Seaboard Air Line R. R. Co. 123
Sinclair Oil Corp. 4th cover
Southern California Edison Co. 92, 111
Southern Co. 102
Southern Natural Gas Co. 124
Standard Steel Spring Co. 100
Sunray Oil Corp. 2
Texas Eastern Transmission Corp. 128
Thermoid Co. 128
Thew Shovel Co. 68
Union Oil Co. of California 24
Utah Power & Light Co. 4
Yale & Towne Manufacturing Co. 66

Common and Preferred
DIVIDEND NOTICE

Shreveport, La.
April 22, 1952

The Board of Directors of the Company has declared regular quarterly dividends of 25 cents per share on the common stock and $1.125 per share on the 4.5% convertible preferred stock of the company, both payable on June 2, 1952, to stockholders of record at the close of business May 1, 1952.

Secretary

TEXAS EASTERN
Transmission Corporation

Thermoid **Company and Subsidiaries**

Makers of (1) Industrial rubber products, including flat belting, hose and V-drive belts; (2) Automotive brake linings, clutch facings and fan belts; (3) Asbestos textiles and wool carpeting.

The Record for 1951

- **Sales were $40,272,000—up 31% over 1950.**
- **Profits from operations were $1,742,000, equal to $2.02 a common share. In addition, there was non-recurring income of $0.88 a share.**
- **Dividends of $844,000 were paid to 7,842 common and preferred stockholders, compared with $590,000 in 1950.**
- **Over $1,600,000 was retained in Thermoid's business—to help finance increased sales and growth.**
- **Working capital reached a new high of $7,382,000, compared with $6,685,000 at the end of 1950.**

A copy of the annual report will be mailed gladly upon request to Secretary,

Thermoid Company, Trenton, N. J.

Factories: Trenton, N. J. Huntington, Ind.
Charlotte, N. C. Nephi, Utah

Here is what IBM Accounting provides for the Investment Broker

In the face of serious help shortages, IBM Accounting gives you all the timely information you need for close control and profitable direction of your business. It saves you time . . . helps you combat the rising costs of doing business.

IBM
TRADE MARK

INTERNATIONAL BUSINESS MACHINES
590 Madison Avenue, New York 22, N.Y.

- **UNIFORM SECURITY TITLES**—through all reports and records.
- **ACCURATE CUSTOMER CONFIRMATIONS**—in all details, including customer names and addresses.
- **COMMISSION ANALYSIS REPORTS**—detailed income information in time for management action.
- **STOCK RECORDS**—accurate customer identification with automatic daily balance and control.
- **DIVIDEND RECORDS**—automatic transcribing of customers' holdings as a basis for charging or crediting accounts.
- **DIVIDEND NOTICES**—prepared in accordance with government regulations and in advance of required reporting.
- **DAILY JOURNALS**—complete history of all account entries for reference, daily trial balance, and control.
- **CUSTOMER STATEMENTS**—accurate addressing through machine control. Statements prepared from punched cards previously proved correct.

Sinclair reports a Record Year of Accomplishment

In 1951 Sinclair topped its previous records in earnings, sales and production, and completed the second year of its expansion program. Here are salient facts from our 1951 Annual Report:

EARNINGS $6.78 per share—exceeded those of any previous year and were 16.7 per cent over 1950.

SALES of 135.4 million barrels of refined products were highest in the Company's history—16 per cent above 1950 volume.

CRUDE OIL PRODUCTION August, 1951, marked the completion of the second year of the Company's Production Expansion Program with increases in production well ahead of schedule. During this two-year period daily average net domestic crude oil production increased approximately 26,000 barrels, or 33 per cent.

STATEMENT OF CONSOLIDATED INCOME

	1951	1950
Gross Operating Income	$808,982,202	$678,877,156
Costs and Expenses	690,943,322	581,460,342
Operating Income	$118,038,880	$ 97,416,814
Other Income	7,193,076	7,057,194
Other Deductions	6,083,466	5,180,862
	$119,148,490	$ 99,293,146
Provision for Federal Income and Excess Profits Taxes	37,250,000	29,100,000
Net Income	$ 81,898,490	$ 70,193,146

REFINING domestic refineries processed 129,759,265 barrels of crude—17 per cent more than 1950 and approximately 36.4 per cent more than 1949.

PIPELINES delivered 127,925,681 barrels of crude or an increase of 30 per cent and 38,881,812 barrels of refined products or 11 per cent more than last year.

IN ADDITION a new pipeline from Oklahoma to East Chicago, Ind. was started . . . Volume transported by Company owned or chartered tankship was up 20 per cent . . . Almost 2,000 new dealer accounts were acquired . . . New refining facilities authorized at Houston will double the plant's capacity for defense products now in short supply.

SINCLAIR OIL
CORPORATION
SINCLAIR OIL BUILDING
600 FIFTH AVENUE, NEW YORK 20, N. Y.